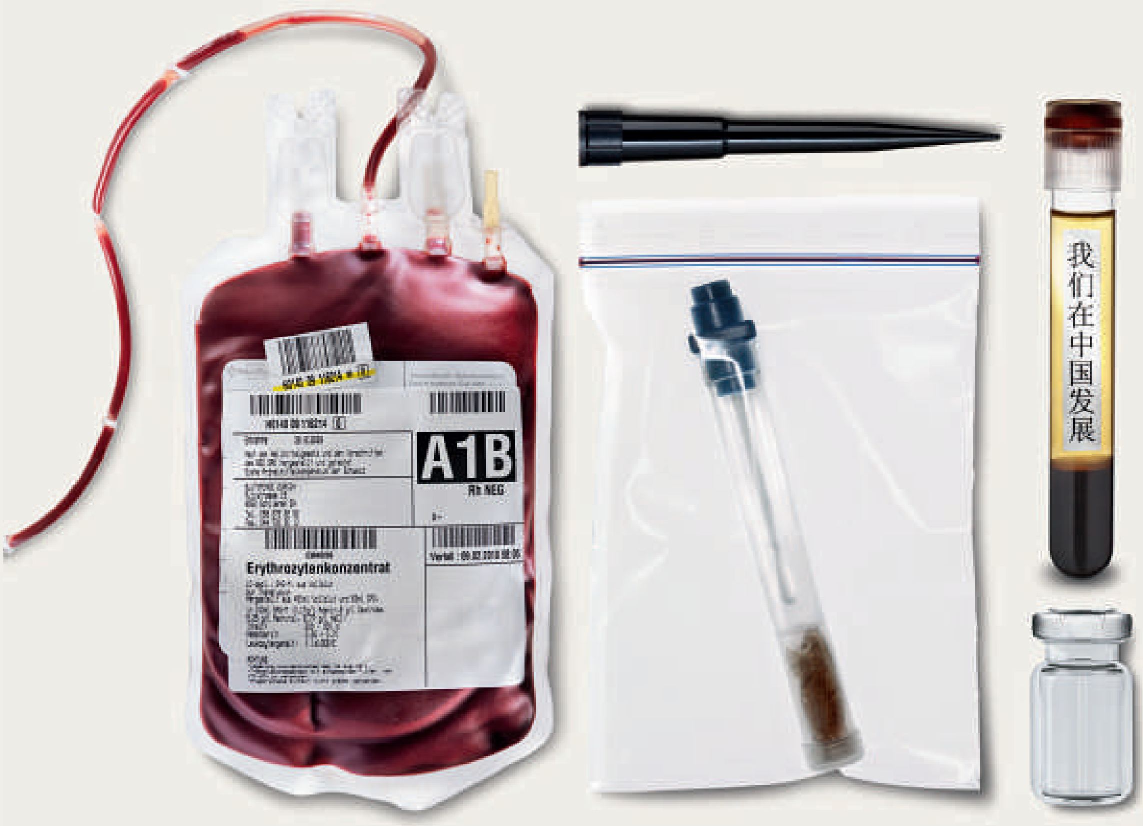
TECAN



Investing in Sustainable Growth

ANNUAL REPORT 2009

About Tecan

Tecan (www.tecan.com) is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics, and clinical diagnostics. The company specializes in the development, production and distribution of instruments and automated workflow solutions for laboratories in the life sciences sector. With its subsidiary REMP (www.remp.com), Tecan is the market leader in automated laboratory storage and logistics systems. Its clients include pharmaceutical and biotechnology companies, university research departments, forensic and diagnostic laboratories. As an original equipment manufacturer, Tecan is also a leader in developing and manufacturing OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

Vision
Tecan will be the preferred supplier for leading life science companies and laboratories on all continents, whenever they source their current and future needs for state-of-the-art workflow solutions. Tecan will be present in every laboratory.

Mission
To delight our customers by exceeding their expectations, aiming for the highest customer satisfaction and retention in our industry. To contribute to the quality of life of humankind by enabling our customers to make the world and our community a healthier and safer place. We create continuous, sustainable shareholder value and we are an employer of choice in our industry.

Contents

2009 at a Glance

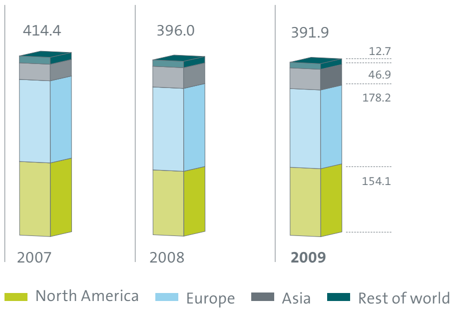
The Tecan Group closed full year 2009 with a strong operating result notwithstanding the tough economic environment. Sales were slightly above the prior-year level in local currency terms and the operating profit margin was maintained at the high level of the previous year.

Key figures

CHF million	2007	2008*	2009	▲ 2008/2009
Sales	414.4	396.0	**391.9**	**–1.0 %**
Gross profit	212.4	205.3	**198.9**	**–3.1 %**
in % of sales	51.3 %	51.8 %	**50.8 %**	
R & D	41.1	40.3	**39.9**	**–1.0 %**
in % of sales	9.9 %	10.2 %	**10.2 %**	
OPEX	153.3	146.0	**140.3**	**–3.9 %**
in % of sales	37.0 %	36.9 %	**35.8 %**	
Operating profit / EBIT	60.3	60.1	**59.6**	**–0.8 %**
in % of sales	14.6 %	15.2 %	**15.2 %**	
Net profit	52.4	51.1	**49.3**	**–3.5 %**
in % of sales	12.6 %	12.9 %	**12.6 %**	
EPS (CHF)	4.54	4.67	**4.77**	**+2.1 %**

Financial summary

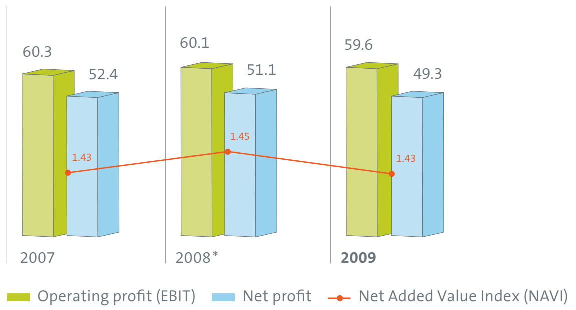
Sales 2007–2009
(CHF million)



Average exchange rates

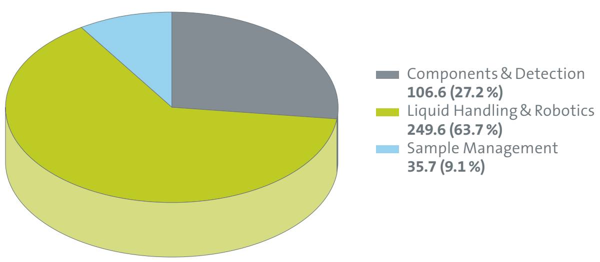
CHF	2007	2008	2009
EUR	1.64	1.58	**1.51**
USD	1.20	1.08	**1.09**

Profitability/productivity 2007–2009
(CHF million)

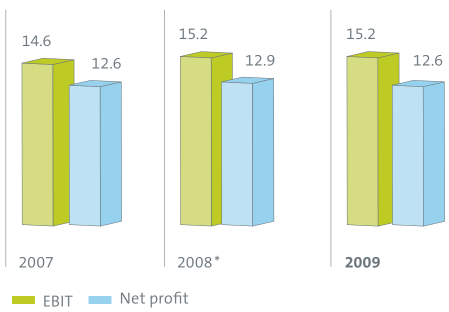


Net Added Value Index (NAVI) = (EBIT + personnel expenses)/personnel expenses

Sales by business segments
(CHF million)



Operating profit (EBIT) and net profit margin 2007–2009
(in % of sales)



*Excluding non-recurring impairment charges totaling CHF 28.9 million in the Sample Management business segment.

We help to discover new medications.

Tecan instruments and integrated workflow solutions help in the discovery of new medications against various diseases in the research laboratories of numerous universities and pharmaceutical and biotechnology companies. Tecan also provides innovative solutions for automated diagnostic tests, for example to prevent the outbreak of disease.

Investments in innovation

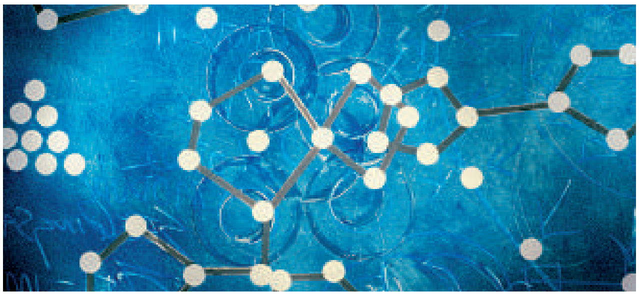
In various areas of the life science industry, groundbreaking advances are emerging that are in part only possible thanks to innovative solutions in the field of laboratory automation.

Innovation takes place at different levels in laboratory automation, ranging from new instruments, applications and workflow solutions, to modules and components, to software, plastic consumables and customer service. Software is steadily gaining importance and constituting a greater part of a total solution. Controlling instruments, processing large volumes of data, the user interface and other operating elements for the user all require software. Web-based solutions, which enable mobile monitoring of instruments from any location, are increasingly in demand. Tecan also developed new IT solutions in customer service in 2009 for staff working in the field and on helpdesks so as to simplify processes for the benefit of the customer.

Tecan makes above-average investments in research and development in order to safeguard and expand its leading position in the market. The company has traditionally invested around 10 % of sales annually in research and development. Over a limited period of time Tecan will in fact slightly increase this proportion to drive forward promising innovation projects in parallel and accelerate the lead time for selected projects. Tecan aims to reduce lead times with better innovation processes, to lower product and development costs, and to increase the market success of products over the next two to three years through an internal project.

The "Innovation and Incubation Group" that was set up in 2007 is tasked with developing or finding and researching new, strategically important technologies for Tecan. It also looks at how the development pipeline can profit from collaborating with universities, research institutes and other centers of excellence.

Tecan not only innovates in its end-customer business, but also undertakes numerous activities on behalf of OEM customers. Tecan has set up a dedicated organization for this business to develop concepts and instruments for diagnostics companies.



Molecular structures are being examined using Tecan detection devices.

Project
INSP!RE
Managing Innovation

INSPIRE – Tecan is laying the foundation for a new culture in innovation management

Innovation is a key success factor for Tecan. However, innovation only results in profitable growth for Tecan when efforts also lead to added value for customers. How can Tecan come up with new products that take customer requirements better into account from the initial development of the idea to product launch in local markets? How is it possible to ensure that the products meet the highest quality standards while being delivered on time? And how can all this be achieved as efficiently and effectively as possible? With the INSPIRE project, which was launched in 2009, Tecan is in the process of sustainably improving the innovation management process throughout the company.

As an initial step, Tecan analyzed the existing innovation process in collaboration with a specialized consulting firm. The responsible team identified a series of starting points to increase innovation performance, including clearer definition of roles, responsibilities and deliverables. Tecan is also developing Group-wide product and project portfolio management. However, cultural and behavioral aspects also play a key role in the development of a new innovation management process. One of the objectives of the INSPIRE program is to generate at least 50 % of sales from products launched less than two years ago within the next three years. In addition, the innovation cycle should be increased by 30 %. INSPIRE will be completed at the end of 2011.

Dear Shareholders

Despite the tough economic environment, the Tecan Group recorded strong operating results in fiscal year 2009. Our relevant market was down in the high single digit percent range. We responded to the challenges and we were able to increase sales slightly above the prior-year level in local currency terms.

We will propose to increase the distribution to our shareholders.

Rolf A. Classon
Chairman of the Board of Directors

Our strong operating profitability and the healthy balance sheet enable us to make above-average investments in growth projects.

Thomas Bachmann
Chief Executive Officer

The operating profit margin was maintained at the high level of the previous year and we made company history by setting a record for earnings per share. Cash flow from operating activities increased sharply and the company has an exceptionally strong balance sheet. Our position of strength enables us to make additional investments to drive forward promising innovation projects simultaneously and accelerate the lead time for selected projects. With these additional investments we aim to achieve sustained profitable growth above the market average.

Strong operating results in 2009

At CHF 391.9 million, sales in 2009 reached approximately the prior-year level (2008: CHF 396.0 million). Sales were 1.0 % below the prior-year level in Swiss francs but 0.9 % higher in local currencies.

At 15.2 %, the operating profit margin was maintained at the previous year's high level, even though Tecan made substantial additional investments in innovation projects and entries into new markets. In 2009, Tecan achieved an operating profit (EBIT) of CHF 59.6 million (2008: CHF 60.1 million before impairment charges in the Sample Management segment; CHF 31.2 million including impairment charges). Net profit reached CHF 49.3 million (2008: CHF 51.0 million before impairment charges; CHF 25.6 million including impairment charges), with net profit margin amounting to 12.6 % of sales (2008: 12.9 %; before impairment charges). Earnings per share increased to CHF 4.77, the highest value in Tecan's history (2008: CHF 4.67 before impairment charges; CHF 2.35 including impairment charges). Cash flow from operating activities increased to CHF 66.2 million (2008: CHF 58.9 million), which corresponds to 16.9 % of sales. At CHF 385.5 million, order entry was 3.8 % below the prior-year result (2008: CHF 407.6 million) in local currencies. This can be attributed to a basis effect from the Sample Management business segment, which recorded a significantly higher order entry in the previous year.

The Return on Net Assets (RONA), a measure how efficiently a company is using its net assets in order to generate its operating profit, increased further to 50 % (2008: 44 %).

Regional development and additional information

In Europe, sales in Swiss francs decreased by 5.1 %, being negatively impacted by the exchange rate trends of the euro versus the Swiss franc. Sales in Europe were 0.7 % below the prior-year level in local currency terms. Business performance was still very mixed across the various European countries. The countries in Eastern Europe and the Middle East serviced by local distributors were hit harder by the effects of the economic crisis, whereas the OEM business in Europe posted gains.

In North America, Tecan's sales grew by 4.9 % in Swiss francs and 4.5 % in local currencies. Sales growth in North America was driven mainly by improved end-customer business across all business segments and by higher demand for OEM components. Projects from government programs to stimulate the US economy only made a minor contribution to sales in 2009, as the majority of these will not be implemented until 2010.

Sales in Asia remained at the prior-year level in Swiss francs, but were 1.4 % lower in local currency terms. The key markets of Japan and China recorded double-digit growth, while other countries in the Asia-Pacific region posted declines in sales.

The strategically important international OEM business grew by 8.2 % in the reporting year, and its contribution to total sales increased to 28.0 % (2008: 25.6 %). The portion of total sales constituted by consumables increased to 8.2 % (2008: 7.2 %). The recurring revenues of the services and consumables business together accounted for 32 % of total sales (2008: 30 %).

Tecan makes above-average investments in research and development to safeguard and expand its leading position in the market for laboratory automation. In 2009, Tecan invested a total of CHF 42.6 million in research and development, of which CHF 2.7 million were capitalized in the balance sheet.

Information by Business Segment

Components & Detection

Sales in the Components & Detection business segment rose by 6.0 % to CHF 106.6 million in 2009 (2008: CHF 100.6 million). Sales were 7.5 % above the prior-year figure in local currency terms. Demand for OEM components, which was negatively affected by the economic crisis in 2008, recovered markedly, especially in the second half of 2009. Tecan was also able to acquire various new customers. New OEM customers were the main contributors to sales growth in detection devices. Order entry for Components & Detection was significantly above the prior-year figure in the year under review. Thanks to an improved cost basis and a higher share of the service business, the business segment recorded an increase in the operating profit margin, which rose from 11.3 % in the previous year to 15.6 % of sales. Operating profit was CHF 17.9 million, 45.2 % higher than the previous year (2008: CHF 12.3 million).

Liquid Handling & Robotics

Liquid Handling & Robotics, Tecan's largest business segment, generated sales of CHF 249.6 million in the year under review. Sales were 6.0 % and 3.7 % below the prior-year figure in Swiss francs and local currencies, respectively (2008: CHF 265.6 million). End-customer business in Europe and Australia fell in particular. Business in Japan and China, on the other hand, posted substantial gains, and the US saw moderate growth. The services and consumables business also continued to perform well. The OEM business in the Liquid Handling & Robotics segment made up lost ground in the second half of the year and was slightly above the prior-year level. Order entry for the year under review was marginally higher than that of 2008. Due to lower sales and additional investments to implement the growth strategy which largely accrued to the Liquid Handling & Robotics business segment, the operating margin fell below the prior-year level at 19.4 % of sales (2008: 22.9 %). The operating profit margin of 21.9 % achieved in the second half of 2009 could not fully balance out the lower figure in the first half of the year. Operating profit amounted to CHF 29.6 million (2008: CHF 34.1 million).

Sample Management

Sales in the Sample Management business segment rose by 19.5 % from CHF 29.9 million to CHF 35.7 million in the year under review, which represents an increase of 18.7 % in local currency terms. Following an operating loss of CHF 5.4 million in 2008 (excluding extraordinary impairment charges totaling CHF 28.9 million), Sample Management achieved a small positive operating profit of CHF 0.1 million in the year under review. Efforts to reduce costs are ongoing in order to bring them into line with the expected lower volumes. Also, we are exploring a wide range of strategic alternatives for the Sample Management business segment. However, no decision has been made in this respect.

Strong balance sheet – high equity ratio

The equity ratio increased in the year under review to reach 58.4 % as of December 31, 2009 (December 31, 2008: 48.9 %). Net liquidity (cash and cash equivalents minus bank liabilities and loans) also rose, to reach CHF 80.6 million at the balance sheet date (December 31, 2008: CHF 33.7 million). As such, Tecan consolidated its exceptionally strong balance sheet and is well positioned for continued internal and external growth. The reduction of capital through the cancellation of 696,788 registered shares (5.8 % of the share capital) agreed upon at the Annual General Meeting on April 22, 2009 was carried out in the second half of 2009. Tecan had acquired these shares as part of a share buyback program. The company's share capital amounted to CHF 1,141,259 at the balance sheet date (December 31, 2009), consisting of 11,412,590 registered shares with a nominal value of CHF 0.10 each.

Distribution to shareholders increased

On the basis of a strong balance sheet and a sustainable good business perspective, the distribution to shareholders will be increased. The Board of Directors will propose an increase in the dividend from CHF 0.90 to CHF 1.00 per share to the shareholders at the company's Annual General Meeting on April 21, 2010.

Focus for 2010 – Investing in sustainable growth

In various areas of the life science industry, groundbreaking advances are emerging that are in part only possible thanks to innovative solutions in the field of laboratory automation. To implement our strategy for sustained profitable growth, we will continue to make above-average investments in research and development over the next few years with the intention of safeguarding and expanding our leading position in the market. Our position of strength means that we can drive forward promising innovation projects simultaneously and accelerate the lead time for selected projects.

We launched the INSPIRE project in 2009 with a view to sustainably improving the overarching innovation management process and creating a new culture of innovation. The aim is for the innovation process to accommodate not only organizational but also cultural and behavioral aspects. By improving innovation processes, we aim to reduce lead times, lower product and development costs, and increase the market success of products over the next two to three years.

Our central "Innovation & Incubation Group" handed over its first project to regular product development in the reporting year and started various new projects. We intend to drive forward these strategically important projects.

We are working on significant innovations for our customers in all product areas. We are also investing further substantial resources for our existing OEM customers, as well as in the development of new equipment designs and prototypes to win new customers.

Furthermore, we give high priority to our work on products that meet the specific needs of customers in emerging markets. To accelerate our growth in Asia and leverage the cost benefits of this region with respect to procurement, development and assembly, we launched Project Ginseng in 2009.

We do not wish to devote only our internal resources to strengthening our range of integrated workflow solutions. We are also continually examining targeted licensing of attractive technologies as well as acquisition opportunities for external growth. We will also expand our partnerships with reagent and assay providers as well as with universities with the goal to convert research results into marketable products.

We present our most important growth drivers in more detail and using examples on the illustrated double-page spreads of this publication.

Outlook

The economic environment steadily improved for the laboratory automation sector in the second half of 2009. We anticipate moderate market growth in 2010, after the market fell in the high single-digit percent range in 2009. However, it remains hard to predict market trends over the medium term. The growing OEM business, rising sales of consumables and the end-customer business in various regions should have a positive impact on Tecan's sales. In the Sample Management business segment, we anticipate that, owing to substantially lower order entry in 2009 and the delay in the development of a promising new product, segment sales for 2010 to be significantly below the level achieved in 2009.

Overall, the company aims to achieve sales growth above the market average in the low to medium single-digit percent range in local currency terms in 2010. At current anticipated investment levels, we expect an operating profit margin of 14 to 15 % for 2010. Should additional opportunities arise during the year to accelerate promising innovation projects or to acquire new technologies from external partners, we anticipate an operating profit margin of 12 to 14% in 2010.

Our gratitude

The Board of Directors and Group Executive Committee would like to thank everyone who contributed to our success in 2009: our employees for their hard work, our customers for their loyalty, and our shareholders and business partners for their trust.

Männedorf, March 2, 2010

Rolf A. Classon
Chairman of the Board
of Directors

Thomas Bachmann
Chief Executive Officer

Investing in sustainable growth

Strategy Implementation

Tecan's strategy is aimed at further strengthening the core business, developing future drivers of growth and creating new markets. Tecan has defined seven strategic goals.

	Tecan's seven strategic goals	Implementation of strategy in 2009
1	**Regain and sustain leadership in innovation .**	In 2009, Tecan introduced numerous innovations to the market. The central "Innovation & Incubation Group" handed over its first project to regular development and started various new projects. To further improve the innovation process, Tecan launched the INSPIRE project (see page 3).
2	**Create an organization geared towards performance, possessing the sense of urgency, clarity of purpose and skills to succeed.**	Tecan kept its sales organizations oriented towards applications and workflow solutions. The company established innovative succession planning and management development. The Group Executive Committee thoroughly discussed vision and values and exchanged best practice examples.
3	**Become an effective executor of alliances, partnerships and acquisitions.**	Tecan has numerous partnerships which take various forms, from kit co-operations to co-marketing alliances. In 2009, Tecan launched various new solutions of this type and strengthened the market position of existing solutions. Tecan also examined different acquisition possibilities.
4	**Strengthen our position as market leader in direct business with end customers.**	The core laboratory automation market fell in the high single-digit percentage range in 2009, whereas. Tecan increased sales in local currencies by 0.9 %. A comprehensive global customer survey showed considerable increases in customer satisfaction and retention. Tecan plans to further strengthen its presence in Asia through Project Ginseng (see page 27).
5	**Become the leading OEM company by providing dedicated products for target segments, markets and applications.**	Tecan continued to expand its OEM business and entered into two new contracts; one of these with a new customer. OEM sales grew by 8.2% over the previous year and the OEM business increased to a level where it now constitutes 28.0% of total sales (2008: 25.6 %).
6	**Build and develop a strong consumables business.**	Various new consumables were introduced to the market in 2009. Consumables grew to account for 8.2 % of total sales (2008: 7.2 %). Tecan expects continuing double-digit growth over the next few years. The recurring revenues of the services and consumables business together accounted for 32 % of total sales (2008: 30 %).
7	**Ensure participation and leadership in the emerging fields of genomic research and testing.**	Tecan made good progress in development projects aimed at the genomics market. Under the US stimulus program, Tecan focused on pharmacogenetics and acquired successful projects. New OEM projects in the field of molecular diagnostics are also strengthening Tecan's presence in this market.

We help make blood transfusions safe.

One of the instruments most frequently used to determine blood type was developed by Tecan. It is sold by a leading diagnostics company. Detection of infectious diseases in blood samples is also often carried out using Tecan instruments, sold by a diagnostics company under its own brand.

Growing OEM business

As an original equipment manufacturer, Tecan develops a variety of OEM instruments for diagnostics and life science companies.

Tecan not only sells automation solutions directly to end customers, but is also a leading developer and manufacturer of OEM instruments and components that partner companies sell under their own name. Sales to OEM customers have grown continuously over the past few years. This business accounted for a sizeable 28 % of Tecan's total sales in 2009.

OEM customers benefit from Tecan's 30 years of experience in technology through a wide range of products, including components, detection instruments, platform-based and dedicated liquid handling solutions, and plastic consumables. Around half of OEM sales are generated in the Liquid Handling & Robotics business segment. Components account for around 40 % and detection instruments around 10 % of OEM sales. An OEM contract for a high-performance laser scanner made a significant contribution to sales for the first time in 2009. At the end of 2009, Tecan had 15 current contracts for liquid handling solutions and detection instruments in the OEM business, and was also supplying components to several hundred customers. The majority of customers are active in the diagnostics market, with a smaller number in life science research.

Tecan's solutions are able to grow with the needs of the customer. Tecan offers two approaches here: Platform-based solutions enable flexible automation and rapid prototype development; and can be quickly launched on the market. Dedicated instruments are suitable for high volumes and help optimize the cost per device.

Tecan has a solid project pipeline in the OEM business and is continually negotiating new contracts. The majority of projects here are also in diagnostics, with a smaller number of customers in life science research.

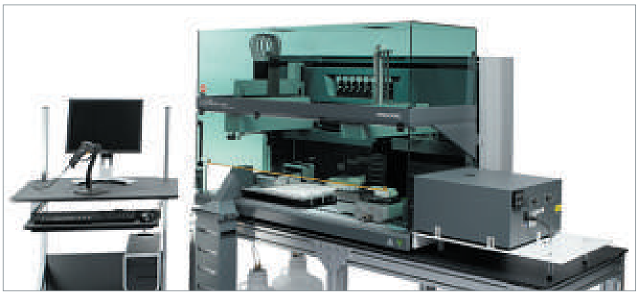
Advances in molecular diagnostics

Researching predisposition to a specific disease.

Molecular diagnostic methods are increasingly being used at the level of genetic material to detect pathogens or predisposition to a specific disease. Tecan concluded a global OEM agreement with Hologic, Inc., USA in the year under review. Under the agreement, Tecan will supply a fully automated solution for Hologic's Cervista® molecular diagnostics human papillomavirus (HPV) tests. The system is under development and is based on Tecan's flexible and reliable Freedom EVO® liquid handling platform with an integrated Tecan detection device. Tecan will also supply Hologic with plastic consumables as an integral part of the validated system.

HPV is the most common sexually transmitted disease in the United States and is recognized as the cause of most cervical cancers. An HPV test can identify women who are more likely to develop cervical cancer.

Hologic, Cervista, are trademarks and/or registered trademarks of Hologic, Inc. and/or its subsidiaries in the United States and/or other countries



Fully automated OEM solution for molecular diagnostics human papillomavirus (HPV) tests.

Investing in sustainable growth

Markets

Tecan serves three main markets: life science research, the forensics industry and the diagnostics industry. The company also offers automation solutions for other markets such as the food industry, crop research, the cosmetic industry or veterinary applications. Tecan serves these markets directly, but is also a leader in developing and manufacturing solutions for OEM customers that are distributed by partner companies under their own names.

Life Science Research

Tecan's customers in the field of life science research are developing new medications against countless diseases, helping us better understand how genetic material works and performing research in other fields to gain even deeper insight into biological processes. These customers are pharmaceutical enterprises, biotechnology companies and, to an increasing extent, universities and publicly financed research institutions. Tecan's solutions are used in genomic and protein technology, in the research of cell and protein structures, in pharmaceutical research and development as well as in the production of proteins and cells. In the field of life science research, there is decreasing demand for pure robotics and analytical instruments, but increasing demand for complex testing procedures. Standardized and integrated complete solutions that can be employed immediately are gaining importance. Working together with partners, Tecan has developed an assortment of systems of this type. These solutions increase the efficiency and reliability of protein and DNA analyses as well as of cell culture and pharmaceutical research processes in the laboratory. Consumables, such as disposable pipette tips or cell containers for example, are also becoming ever more important for reproducible tests performed in research. Thanks to Tecan, customers can decrease the time they spend on development, optimize their internal resources and significantly increase productivity and reproducibility.

The impacts of the economic downturn in key regions shaped trends in the global life science market in 2009. Growth remained clearly below the long-term range of 3 to 5 %. The laboratory automation sub-market relevant to Tecan saw decline in the upper single-digits in 2009, whereas Tecan performed more strongly than the market. Tecan expects economic stimulus programs to have a noticeable impact. In the US alone, research and development budgets for institutions in the healthcare sector will be significantly increased by stimulus funds from the National Institutes of Health (NIH). Tecan is advising customers on how they can efficiently use these funds and has already gained initial orders in the process.

Key drivers of automation

- In modern research laboratories, high throughput and maximum precision are indispensable.
- Advances in life science research lead to new, complex applications in numerous areas of research, for example in genomics, proteomics and cell-based research.
- Demands for quality, reliability and reproducibility of individual steps are increasing, partly as a result of growing regulatory requirements.
- The pressure to increase the efficiency and effectiveness of pharmaceutical development requires greater laboratory automation.

Forensics

In the field of forensics, Tecan supports the responsible authorities and criminal justice in efficiently and soundly proving the guilt or innocence of suspects or establishing the identity of persons. Tecan solutions process DNA samples collected at the scene of the crime or following natural disasters or for family relationship testing. Tecan systems and applications have also proven their worth in extensive processes for identifying the deceased, such as those employed following the devastating earthquakes that struck China in May 2008 or Haiti in 2010.

In cooperation with Applied Biosystems, the leading provider of forensic DNA testing systems and part of Life Technologies

Corporation, Tecan offers the integrated and validated HID EVOlution™ System. This system gives forensic laboratories a validated solution for processing DNA samples more quickly and securely. Tecan consumables are an important component of these validated forensic solutions.

The forensics market was not negatively impacted by the economic crisis in 2009. In line with long-term projections, it grew at a rate of approximately 15%.

Key drivers of automation

– Increasing recognition of forensic DNA-based evidence in law enforcement and legal systems will continue to drive considerable growth in testing volumes worldwide for years to come.
– In law enforcement and criminal justice, samples of genetic material collected at the scene of the crime are increasingly becoming an important tool alongside the classic evidence-gathering method of fingerprinting. DNA analysis also plays a major role when it becomes necessary to reopen closed cases.
– The sheer volume of DNA samples awaiting examination around the world together with the stringent regulatory and legal requirements for an error-free analysis demand automated solutions that operate with absolute accuracy.

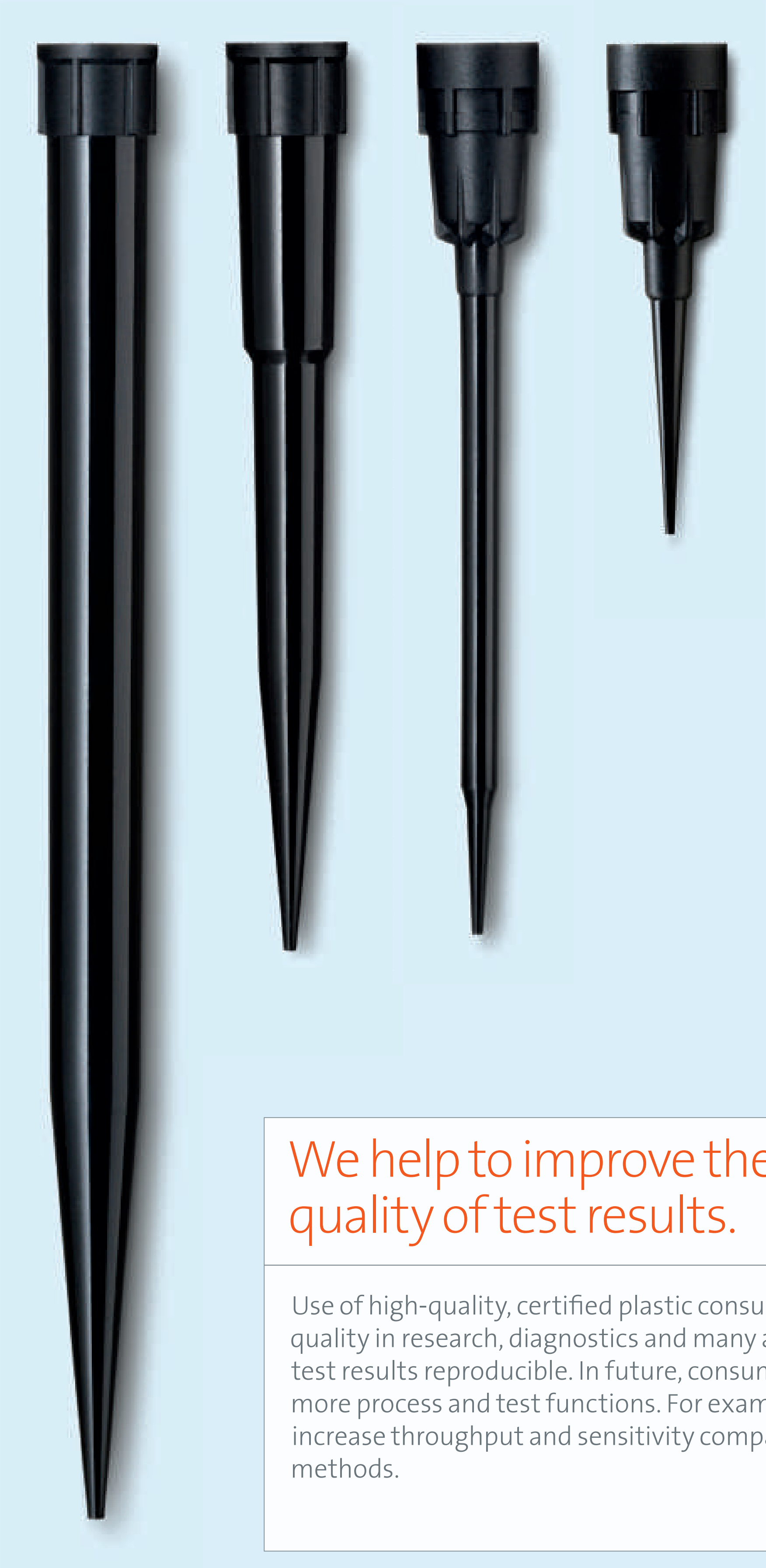
Diagnostics

Diagnostic tests are of critical importance in healthcare. They help to provide comprehensive diagnoses of diseases and their causes, not only to enable effective treatment at an early stage, but also prevention. Tecan's customers include blood banks, medical laboratories and hospitals. Tecan supplies customers directly or functions as an original equipment manufacturer for large diagnostics companies that distribute the OEM instruments under their brand names. Diagnostic laboratories need solutions for determining blood types, testing for diseases as well as ante-/neonatal screening. Molecular diagnostics and the possibilities this entails for personalized medicine are playing an increasingly larger role. Diagnostic tests have a great leverage effect in keeping exploding health care costs in check. Although they account for only 2 to 3 % of the total costs, they influence approximately 70 % of the clinical decisions made based on the information they provide. Given our world's ageing population, this factor is becoming increasingly significant. A growing number of people are being examined for diseases such as cancer, diabetes and Alzheimer's using increasingly complicated tests. Developments in diagnostics have prompted customers to increasingly demand integration of sample preparation, analytical devices, plastic consumables and reagents into a complete workflow solution.

The volatility in key economic regions had very little impact on the diagnostics market in 2009. Growth was only slightly below the long-term projected rate of 5 to 7 %.

Key drivers of automation

– Automation is a must given the steadily increasing number of available tests and the growing volume of test results, particularly from molecular diagnostics.
– There is growing awareness that new diagnostic tests performed at early stages of diseases can save considerable time and expenses during patient treatment.
– Supervisory standards, coupled with stringent regulatory requirements for error-free results, demand increasingly standardized systems with reproducible results.



We help to improve the quality of test results.

Use of high-quality, certified plastic consumables improves data quality in research, diagnostics and many applied sciences, and makes test results reproducible. In future, consumables will perform even more process and test functions. For example, they will considerably increase throughput and sensitivity compared to traditional methods.

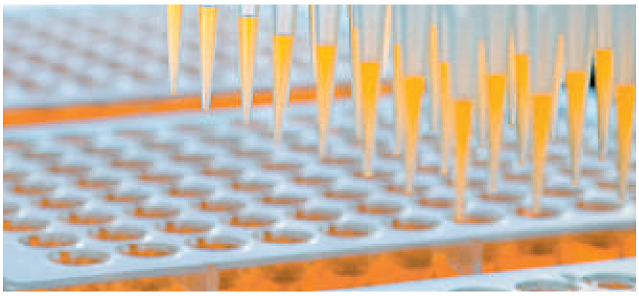
Consumables

The plastic consumables business has high growth rates and is of increasing importance for Tecan.

Consumables accounted for 8.2 % of total sales in 2009. Tecan expects continuing double-digit growth over the next few years. Like the service business, consumables also yield recurring sales. Together, the service and consumables business account for 32 % of Tecan's total sales.

Consumables, such as disposable pipette tips or cell containers, are an important component of an integrated complete solution in laboratory automation. Only high-quality consumables can help ensure a high level of quality and reproducibility in tests. In the field of diagnostics, consumables constitute components of a validated system that can only be certified as a complete system by the regulatory authorities.

Tecan offers a wide range of consumables which have been developed and tested for use in liquid handling, detection and sample management. The company is also developing innovative consumables, for example to significantly increase throughput and sensitivity. With such application-specific and patentable consumables, individual process or analysis steps take place directly within the consumable itself. One example of this is the complete solution that Tecan is developing for the diagnostics and life science market. The aim is to cover the complete workflow with Tecan's own products and for it to comprise all required process steps, from loading samples to reading test results. These include preparation of samples with hardware, software, plastic consumables with specific reagents and an optional integrated detection device.



Certified disposable pipette tips offer important benefits.

Certified
Tecan Pure

MCA96 disposable pipette tips

New plastic consumables that stand out through their special design.

In 2009, Tecan launched new disposable pipette tips for the MCA96 multichannel pipetting head which has 96 parallel fluid channels and was already on the market. The 96 disposable pipette tips are supplied in customized packaging. The special design means that individual layers of pipette tips can be stacked nested in one another instead of one on top of another. This saves a considerable amount of space on a liquid handling platform – a key benefit, as space on the platform must be used as efficiently as possible. Plus, since only one plastic rack has to be used at the bottom, wastage and hence disposal costs are considerably reduced. The possibility of stacking significantly more layers of pipette tips also supports efficient high-throughput processing. The application can run longer without new pipette tips having to be reloaded, giving the laboratory staff more time to carry out more demanding tasks.

All MCA96 pipette tips are manufactured in a cleanroom environment and certified to different purity levels for a broad range of applications. The production process is fully validated and includes extensive quality testing.

Investing in sustainable growth

Business segments

Tecan has a wide range of products in the area of laboratory automation. Reporting is broken down into three segments that cover operations: Components & Detection, Liquid Handling & Robotics and Sample Management. Service and consumables are an integral part of the business of each of these three reporting segments.

Components & Detection

The Components & Detection business segment includes the Tecan activities that manufacture high-volume, mass-produced products.

Tecan is market leader in laboratory automation components. The company supplies laboratory instrument manufacturers with essential OEM components such as precision pumps, valves, robotic arms and software. These are used in systems that have a wide range of applications in life science research, diagnostics and forensics. Tecan components generally remain an indispensable part of the customers' product lines over the entire life cycle of each device. In addition, a number of different components are integrated into Tecan's own liquid handling platforms. The components must satisfy the highest standards for precision and reliability and must comply with stringent safety and application requirements throughout the world.

In 2009, Tecan expanded the application range of the OEM small robot, Omni Robot, and provided it with new functions, including a second, independent robotic arm and a pneumatically driven pipetting head. This makes the robot a general-purpose OEM component that can be used in life science research and clinical diagnostics applications.

Additional improvements, such as electronic control, were made to the precision pump introduced in 2008, enabling it to administer liquids with even greater precision during pipetting tasks. A new wash-option facilitates applications with harsh chemicals or liquids with a high salt content.

Tecan offers a wide range of detection devices that includes analytical devices such as microplate readers and microarray systems, which analyze reactions on a microtiter plate or a microarray, as well as washers, which perform the washing and separating operations of a test procedure. The detection instruments and washers are either used as stand-alone instruments or fully integrated into Tecan's liquid handling systems. Tecan has a versatile portfolio of applications for life science research and clinical diagnostics. The innovative automatic microplate and microarray instruments include multifunctional, modular, expandable systems. Their flexibility enables laboratories to grow with the demands and complexities of research without depending on a single technology. Leading genetics laboratories use Tecan's microarray scanners and hybridization solutions.

In early 2009, Tecan launched the PowerScanner, which can analyze over two million data points on a microarray in a matter of minutes. These molecular biological assay systems, which are supplied with massive quantities of data, are increasingly used in genome analysis. The outstanding characteristics of this instrument also convinced a major life science company, prompting it to enter into an OEM contract with Tecan for the PowerScanner.

Tecan developed the cost-effective detection device Infinite® F50 specifically for the rapidly growing markets in emerging countries such as China. The instrument has a functional design and can be operated in nine languages.

Performance

Sales in the Components & Detection business segment rose by 6.0 % to CHF 106.6 million in 2009 (2008: CHF 100.6 million). Sales were 7.5 % above the prior-year figure in local currency terms. Demand for early cyclical OEM components, which was negatively affected by the economic crisis in 2008, recovered markedly, especially in the second half of 2009. Tecan was also able to acquire various new customers with new OEM customers being the main contributors to sales growth in detection devices. Order entry for Components & Detection was significantly above the prior-year figure in the year under review. Thanks to an improved cost basis and a higher share of the service business, the business segment recorded an increase in the operating profit margin, which rose from 11.3 % in the previous year to 15.6 % of sales. Operating profit was CHF 17.9 million, 45.2 % higher than the previous year (2008: CHF 12.3 million).

Liquid Handling & Robotics

Liquid Handling & Robotics is Tecan's core business and the largest business segment. It continues to develop the technology on which Tecan was founded 30 years ago. A market leader today, Tecan supplies innovative automated laboratory solutions for life science research and for forensic and diagnostic applications. These solutions include instruments, software packages and special application know-how as well as consulting, service and consumables. They cover the entire workflow of any given application. Tecan systems offer flexible solutions. Small and large liquid volumes can be pipetted and analyzed separately and in parallel so that almost all laboratory procedures can be made more efficient and safer.

Tecan serves some end customers directly but is also a leader in developing and manufacturing OEM instruments that are distributed by partner companies.

The Liquid Handling & Robotics business segment introduced a large number of innovations to the market in 2009. These include instruments, applications and workflow solutions as well as modules for specific applications. Software solutions are gaining importance. There were also important innovations in plastic consumables and the service business.

For the Freedom EVOlyzer® and Freedom EVO® Clinical liquid handling platforms, which Tecan distributes directly to the diagnostics market, user-friendliness and user safety were further increased. Tecan is working together with partners to enable EVO® Clinical to be used in sample preparation for mass spectrometry to accele-rate process flow. Innovations for OEM partners included a fully automated solution that can be used for molecular diagnostics human papillomavirus (HPV) tests.

Tecan offers important new applications for fully automated cell growth and optimizing processes in the production of biopharmaceuticals.

In software and modules, Tecan launched the Instant Pipetting™ operating platform, which allows simple pipetting operations to be performed directly on the liquid handling platform via a touch-screen with no additional programming required. Another innovation that allows the current status of the instrument to be called up remotely via mobile phone makes it easier for the user to monitor the test sequence of a liquid handling platform.

In new plastic consumables, Tecan offers, for example, a set of 96 pipette tips in customized packaging, which can be stacked nested in one another to save space and significantly aid in reducing wastage.

Tecan is a recognized market leader for innovative automated laboratory solutions.

Performance

Liquid Handling & Robotics, Tecan's largest business segment, generated sales of CHF 249.6 million in the year under review. Sales were 6.0 % and 3.7 % below the prior-year figure in Swiss francs and local currencies, respectively (2008: CHF 265.6 million). End-customer business in Europe and Australia fell in particular. Business in Japan and China, on the other hand, posted substantial gains and the US showed moderate growth. The services and consumables business also continued to perform well. The OEM business in the Liquid Handling & Robotics segment made up lost ground in the second half of the year and was slightly above the prior-year level. Order entry for the year under review was marginally higher than that of 2008. Due to lower sales and additional investments to accelerate the implementation of the growth strategy which largely accrued to the Liquid Handling & Robotics business segment, the operating margin fell below the prior-year level at 19.4 % of sales

(2008: 22.9 %). The operating profit margin of 21.9 % achieved in the second half of 2009 could not fully balance out the lower figure in the first half of the year. Operating profit amounted to CHF 29.6 million (2008: CHF 34.1 million).

Sample Management

The Sample Management business segment develops and supplies advanced systems for storing substances and samples. Sample Management involves the storage and retrieval of hundreds, thousands or even millions of biological samples, DNA or synthetic substances at temperatures of +4°, –20 or as low as –80 °C. In life science research, these samples might be synthetic or biological substances that are being analyzed as potential active ingredients, for example. In the area of forensics, samples that are collected at crime scenes and contain traces of genetic material need to be stored. Diagnostic researchers store tissue samples from cancer patients, for example, so that the samples can be examined for similarities. Tecan's fully automated, scalable storage and retrieval systems and accessories optimize efficiency and workflow in the management of sample libraries and improve quality and safety. Under the REMP brand name, Tecan is the market leader for automated sample management systems. REMP storage systems are also used in combination with Tecan's liquid handling systems in order to cover the entire workflow of an application.

Software plays a decisive role for automated storage systems, some of which manage millions of substances or samples. In 2009, a new operating software for large and medium-sized storage systems was introduced that extends the lifespan of these storage systems and is especially user-friendly.

The reliability of the storage systems and the availability of individual samples are based on REMP's patented Tube Technology™. This line of consumables revolutionized sample management when it was first launched in 1997. To improve product characteristics for use in storage systems for biological samples at –80° C, a new version of REMP tubes was developed. Coding of individual tubes was optimized using a two-dimensional code on the lid, enabling identification of individual tubes with a simple scanner.

Performance

Sales in the Sample Management business segment rose by 19.5 % from CHF 29.9 million to CHF 35.7 million in the year under review, which represents an increase of 18.7 % in local currency terms. Following an operating loss of CHF 5.4 million in 2008 (excluding extraordinary impairment charges totaling CHF 28.9 million), Sample Management achieved a small positive operating profit of CHF 0.1 million in the year under review. Efforts to reduce costs are ongoing in order to bring them into line with the expected lower volumes. Also, Tecan is exploring a wide range of strategic alternatives for its Sample Management business segment. However, no decision has been made in this respect.

We help make the world a safer place.

Around the globe forensic laboratories provide intensive support for law enforcement authorities in the fight against crime. They analyze vast quantities of samples gathered as possible evidence at crime scenes. To determine DNA sequences, many of these laboratories rely on a standardized workflow solution offered jointly by Tecan and a partner company

Applications and workflow solutions

Standardized workflow solutions for laboratories that can be employed immediately are gaining importance in all of Tecan's core markets.

Workflow solutions include instruments, software packages and special application know-how as well as consulting, service and consumables. They cover the entire workflow of any given application. In all three of Tecan's core markets – life science research, forensics and diagnostics – the trend is moving toward the integration of different process steps and the standardization of applications. However, standardized solutions are employed to different extents in each of the markets.

In life science research, standardized solutions still constitute a smaller portion of the equipment installed. The largest group of solutions are those that have been flexibly configured with existing modules. Individual custom-made solutions are another group of workflow solutions. Tecan expects the share of standardized solutions to grow in numerous applications. This trend creates additional potential for Tecan since it also drives higher demand for high-quality plastic consumables. To be able to offer integrated solutions to customers, Tecan is working with numerous test providers in the development and validation stages.

The standardized workflow solution for forensic applications is described in the right column.

By definition diagnostic applications are standardized: They are validated in a fixed configuration and approved by the regulatory authorities in this form. Here too customers are increasingly demanding better integrated, smaller, easier to operate and quicker solutions that cover a major portion of the workflow. In this field, Tecan is primarily working as an OEM in partnership with diagnostic companies.

Tecan has also identified growth opportunities with the expansion of applications into related industries such as veterinary medicine, food, crop sciences and cosmetics.

HID EVOlution™, an integrated workflow solution for the forensic market.

Forensics workflow

Two market leaders have teamed up to offer an integrated, validated solution for forensic laboratories.

Tecan is the global market leader in the field of automated solutions for forensic laboratories. In cooperation with Applied Biosystems, the leading provider of forensic DNA typing solutions and part of Life Technologies Corporation, Tecan has developed the integrated and validated HID EVOlution™ System. This workflow solution combines various powerful technologies and enables an especially quick and reliable identification of human genetic material. Because it is already validated, customers can use the system immediately. When required, validation of a laboratory solution is a time-consuming process, usually taking over half a year. Tecan's consumables are also an important component of validated forensic solutions.

The number of DNA samples that have to be identified continues to grow. Tecan solutions have major potential in this market in which only around 15 % of forensic laboratories are currently automated. HID EVOlution™ integrates the complete DNA workflow, ranging from DNA purification all the way to preparing the DNA analysis, which constitutes the basis for the subsequent matching of DNA sequences. Customers have really taken to HID EVOlution™ with numerous new systems being installed in 2009. Two years after its market launch, 50 systems were already in operation worldwide in 2009.

Investing in sustainable growth

Sustainability

By pursuing sustainable corporate practices, Tecan looks to secure the long-term expansion and prosperity of the company for the benefit of all interested parties. Tecan sees sustainable corporate practices as more than just a series of individual measures. Instead it is a basic attitude that shapes all corporate processes and unites economic, ecological and social aspects.

Customer loyalty and satisfaction

Every three years Tecan conducts a comprehensive global customer survey in which an external market research institute measures and evaluates customer loyalty and satisfaction. The survey in the first half of 2009 yielded pleasing results: the overall score that measures customer loyalty grew considerably across all business areas. Tecan also gained ground over the direct competitors. The number of customers who would recommend Tecan and purchase equipment from the company again has also risen. Furthermore, Tecan was named the top brand in the industry as well as the leader in quality and technology. Customer complaints were reviewed and measures for further improvement of product quality and services were initiated or have already been implemented.

Tecan Management System developed further

At Tecan, sustainable corporate activity is the permeating theme of the daily routine of both employees and management. It is important that Tecan associates are familiar with globally binding internal corporate guidelines and country-specific laws and regulations pertinent for performing their jobs and that they can access the most up-to-date version at any time. The Tecan Management System (TMS) provides all employees with personalized online access to the required documents, which also include guiding principles on the intangible values of the corporate culture. The TMS defines the entire structure of business processes and their areas of application. Launched in 2008, the technology and contents of the platform were further developed in 2009. In particular, the interactions between individual processes were made even more clearly visible. Thanks to new visualization methods, Tecan associates are increasingly able to control their jobs via virtual cockpits. In 2009, TÜV awarded the Tecan Management System ISO 13485 certification – a standard regulating the development, production and sale of medical devices. In their audits, Tecan customers have rated the TMS as a model tool. Employees are also satisfied with the user-friendliness of the platform and prize the transparency with which it provides them for their work processes. A training program familiarizes employees around the world with important new features of the TMS.

Risk management process refined

Tecan has a well established global risk management process that allows it to detect risks in any area of corporate activity early on, categorize them according to likelihood of occurrence and impacts, and limit them with an appropriate action plan. The process encompasses, among other factors, strategic risks, environmental and product risks, market and customer risks as well as work safety risks. It also focuses on political and economic developments as well as the possible impacts certain events may have on Tecan's external partners such as customers or suppliers. The process is continuously being refined. In 2009, Tecan risk specialists analyzed the possible consequences of the global financial crisis in particular. Tecan examined the liquidity of suppliers in the current environment. In response to swine flu, Tecan created a plan that can also be used for future pandemics. In 2009, Tecan presented its risk management process to its most important insurance providers, whose experts rated the company's handling of risks as highly professional, resulting in both lower premiums and better insurance benefits.

The organization Transparency International publishes an annual corruption index of 180 countries in which a higher index value corresponds to a lower susceptibility to corruption. In

2009, over 90 % of Tecan's sales were in countries with index values greater than 6 points, while only a mere 10 % were in countries with a value below 6 points – with Italy and the BRIC countries Brazil, Russia, India and China accounting for the majority of this latter figure.

At Tecan, sustainable corporate activity is the permeating theme of the daily routine of both employees and management.

Safety and environmental protection
Tecan has established processes Group-wide and at its individual business locations to ensure compliance with national laws and regulations as well as with internal guidelines for safety and environmental protection. In many areas, Tecan pursues internal standards that are even higher than those required by national law and stringent industry regulations. The company invests substantial amounts each year in pursuit of further improvement.

Tecan cooperates closely with public authorities and standard-setting bodies around the world to recognize new regulatory trends in occupational safety and environmental protection as early as possible and to integrate them in its corporate processes. Tecan actively shapes these developments by participating in pertinent industry associations in all relevant economic regions.

Internal and external experts regularly inspect whether Tecan's locations comply with country-specific regulations and the company's internal standards for product safety, occupational safety as well as health and environmental protection. These inspections also cover measures that Tecan has to implement if it fails to meet any requirements. Each year, all locations are subject to a number of audits conducted by governmental authorities, testing, monitoring and certification agencies, customers and Tecan's own specialist teams. In 2009, customers conducted approximately twenty audits worldwide, nine of which were performed at company headquarters in Männedorf, Switzerland alone. Multiple audits concerned existing or possible future OEM projects. Tecan put together an ISO 14971 certified product risk management process for medical devices that covers the entire lifespan of a product and evaluates all possible risks, especially those pertinent to patients and users. In 2009, TÜV renewed the ISO 13485 certification for Tecan's Japanese sales subsidiary as well as the Asia-Pacific headquarters in Shanghai, making all of Tecan's production plants and sales subsidiaries ISO 13485 certified.

Tecan products must also satisfy the following important requirements plus many others: US QSR (Quality System Regulation), CMDCAS (Canadian Medical Device Conformity Assessment System), JPAL (Japanese Pharmaceutical Affairs Law), CCC (Chinese Compulsory Certification).

The number of regulatory requirements is increasing worldwide, especially in the emerging markets of Asia. To ensure that the current versions of these requirements are understood and satisfied everywhere, the company is in constant contact with local organizations and authorities. The online application Clinivation Worldview provides Tecan employees with the necessary technical support for managing product registrations and clarifying regulatory requirements in more than 60 countries. Launched in 2008, this tool became further entrenched at Tecan in 2009 with all Tecan products being listed in the database.

Tecan also conducted various training programs for employee occupational safety and healthcare in 2009, with special programs addressing pandemic prevention in relation to swine flu.

Environmentally friendly materials and processes

Tecan acts responsibly and in an environmentally friendly manner in the development, manufacture and global distribution of all products as well as services it renders over the entire lifespan of the product. By keeping vertical integration down, production locations emit relatively low levels of pollutants, including CO_2. As part of these efforts, Tecan again participated in the Carbon Disclosure Project in 2009, a global initiative aimed at gathering and analyzing corporate climate-related data.

All Tecan production locations and the majority of suppliers are located in stringently regulated markets in Europe and the USA, while a small portion operate in Asia. All direct suppliers are systematically inspected. Tecan generally strives to employ the most environmentally friendly materials and ecologically efficient processes. Tecan disposes of waste in accordance with the EU directive on Waste Electrical and Electronic Equipment (WEEE) and supports the aims of the EU RoHS (Restriction of Hazardous Substances) guideline on the prohibition of toxic, not-readily biodegradable substances in electric and electronic devices. Tecan thus incorporated the RoHS guideline into its product development at an early stage, even though medical products are exempt from the guideline for the time being.

Tecan continues to achieve further progress with each generation of instruments. Through the INSPIRE program, Tecan plans to accomplish further improvement in the development of sustainable, robust and reliable instrument design (see page 3). One of the objectives of the INSPIRE program is to generate at least 50 % of sales from products launched less than two years ago.

Tecan invests in modern, energy-efficient technology for the infrastructure of its buildings.

Corporate responsibility to employees and society

As an employer, Tecan has a strong sense of responsibility, which is reflected in its personnel policies that are binding at all of its companies around the globe. National hiring rules ensure compliance with gender equality, non-discrimination and other legal requirements. Tecan managers and employees are also held to a strong code of ethics.

Tecan has a very international workforce made up of employees from over 30 countries. The majority of employees are between 30 and 49 years old. Only a small portion or roughly one percent of employees are over 60 and thus nearing retirement.

Vision and values

Tecan's decision-makers give high priority to instilling the company's vision and common values in Tecan associates. In 2007, the appropriate fundamentals were implemented and grounded around the globe with advanced seminars the following two years. In 2009, Tecan's Group Executive Committee once again thoroughly discussed "Vision and Values" and exchanged best practice examples of how the principles can be lived and conveyed by management on an everyday basis.

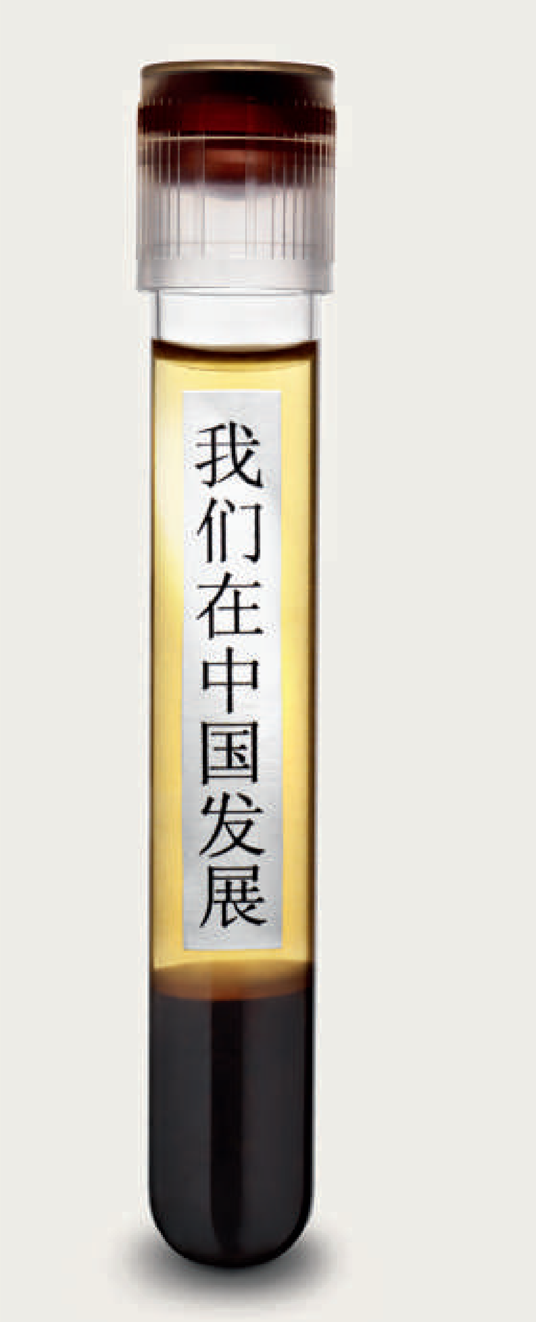
Innovative succession planning and management development
Tecan strives to fill key positions with internal candidates whenever possible to retain its employees' know-how for the company and to offer them attractive prospects for their professional and personal development. In 2009, the Group Executive Committee intensively devoted itself to succession planning and management development that accommodate Tecan's uniqueness and needs. The entire Group Executive Committee evaluated the behavior of approximately 80 key persons according to set criteria as well as from different perspectives, and commissioned a differential evaluation. The potential uncovered during this evaluation was then discussed with the persons evaluated and their superiors. This process significantly contributed to enabling more key positions to be filled with members of Tecan's own management staff in 2009. Plans are in place to repeat the evaluation process periodically.

Global professional training
At Tecan, ongoing professional training is a key requirement critical to business. Stringent industry-specific requirements mean high training expenditures for Tecan. The company must comply with industry-specific requirements and guidelines set forth by supervisory authorities and must also be able to demonstrate that all employees possess the knowledge required for their position. In 2008, Tecan introduced a uniform global platform for the professional training of its employees. Aided by this IT-based system, Tecan can oversee and control the training processes employed throughout the entire company. Each employee receives a personalized training profile according to his or her job description. Via the new web-based platform, employees can check their own training and education credentials and update them if necessary. Auditors can call up the training status of a given employee at any time and the introduction of electronic signatures has made the printing and storage of training certificates a thing of the past.

Tecan strives to fill key positions with internal candidates whenever possible.

In countries employing a dual education system, Tecan is instructing trainees from various vocational and professional groups. By introducing an additional training track, Tecan increased the number of apprenticeship positions despite the challenging market environment.

Social responsibility
Tecan attaches great importance to good cooperation with the peoples and authorities where it does business. The company also supports projects serving the common good at its various locations.



We also help people in emerging countries live healthier lives.

Tecan is steadily increasing its presence in emerging countries with Asia being a focus region. In the future, Tecan is looking to develop more products that are even better tailored to the specific needs of customers in emerging markets. This approach will provide Tecan with considerable potential for growth.

Opening up global growth markets

Major investments in health-care and life science research are being made in many of the world's countries and regions.

While its traditional main markets are Western Europe and North America, other global regions accounted for around 15 % of Tecan's total sales in 2009. Tecan sees considerable potential for further growth in emerging countries. According to a UNESCO report, expenditure for research and development plans in emerging countries has nearly doubled over the past few years. Investment is being made in healthcare projects in particular. China, Australia, the Near and Middle East as well as the countries of Eastern Europe are of particular importance. Tecan wants to further cultivate these markets by employing a two-pronged approach in which it establishes its own locations and pursues projects in various regions working jointly with distribution partners. Cooperation with OEM partners, who are increasingly distributing tools in emerging countries, is also of major importance here. However, Tecan sees many more far reaching possibilities in the new growth markets than simply the sale of existing products. The column to the right describes a forward-thinking project.

Major investments in healthcare are being made in China. In the coming years, China plans to spend several billion US dollars on construction and technical equipment alone for roughly 2,000 community hospitals. To accommodate the economic development of the new markets, numerous international life science companies are building research centers in China as well as in other Asian countries. This region is also of growing significance to Tecan. Since 2008, a Shanghai-based subsidiary has allowed Tecan to intensify its cultivation of the market and provide better service and support for all customers and partners in the region.

In the established Japanese market Tecan serves its customers through a local organization already since 1992.

Increased investments in healthcare in China.

Strengthened presence in Asia

The Ginseng Project aims to drive Tecan's growth in Asia while lowering costs for existing products.

To a certain extent, customers in emerging countries have different needs than customers in traditional economic regions. Tecan prioritizes products specifically suited for the new growth markets where there is strong demand for products in the mid-market segment. To better gauge specific customer needs and at the same time take advantage of cost benefits, Tecan plans to increasingly develop and manufacture these new localized products within the growth markets.

In 2009, Tecan launched Project Ginseng to coordinate new activities in the Asia-Pacific region. Tecan plans to establish a center of excellence in Southeast Asia to accommodate both local product management as well as market-specific research and development. The company is also expanding its expertise in the areas of quality assurance and assembly there. Through increased local procurement, Tecan aims to pass the cost benefits of this region on to Europe and the US as well. By expanding the value-added process in this region, Tecan is also hedging against currency risks. Tecan's good reputation and strong network of partners will decisively contribute to attracting the necessary highly qualified local workforce.

Corporate Governance

Information pursuant to the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

1 Group structure and shareholders

Group structure

Tecan Group Ltd. (the Company),
Seestrasse 103, 8708 Männedorf, Zurich, Switzerland,
is the parent company of the Tecan Group.

The Company is listed on the SIX Swiss Exchange.

Security symbol:	TECN
Security number:	1 210 019
ISIN:	CH0012100191
Telekurs Financial:	TECN
Bloomberg:	TECN SW
Reuters:	TECN.S

As at December 31, 2009, the Company's market capitalization was CHF 811 million. The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 93 of this Annual Report. The operational group structure is based on a division into three business segments: Components & Detection, Liquid Handling & Robotics, and Sample Management. The segment reporting based on this structure is presented in the financial section on pages 81 to 82 of this Annual Report.

Major shareholders

As at December 31, 2009, the following shareholders held more than 3 per cent of Tecan's shares:

	2008		2009	
	Shares	%	Shares	%
Chase Nominees Ltd., London	1,546,910	12.8 %	1,546,910	13.6 %
Fidelity Management & Research Company, Boston (US)	1,349,560	11.2 %	1,138,490	10.0 %
Tecan Group Ltd., Männedorf (CH)	1,324,075	11.0 %	1,009,210	8.8 %
TIAA-CREF Investment Management LLCC, New York (US)	593767	4.9 %	654,020	5.7 %
UBS Fund Management (Switzerland) AG, Basel (CH)	639220	5.3 %	639,220	5.6 %
BlackRock Inc., New York			598,501	5.2 %
Bellevue Funds SICAV, Luxemburg (LU)			439,289	3.8 %
The Capital Group Companies, Inc., Los Angeles (US)	365,859	3.0 %	365,859	3.2 %

Numbers of shares according to the most recent shareholder notifications to SIX. The percentages are adjusted to the actual share capital as at the end of the reporting period.

The Company does not have any cross-shareholdings exceeding 5 per cent of the capital or voting rights on both sides.

2 Capital structure

Capital structure of Tecan Group Ltd. as at December 31

	2007	2008	2009
Number of shares	12,078,381	12,082,820	11,412,590
Nominal value per share (CHF)	0.55	0.10	0.10
Share capital (CHF)	6,643,110	1,208,282	1,141,259
Legal reserves (CHF)	61,640,889	124,236,449	82,721,406
Net retained earnings (CHF)	120,261,396	39,274,413	93,339,579
Shareholders' equity (CHF)	**188,545,395**	**164,719,144**	**177,202,244**
Capital reduction			
Nominal repayment			
Number of issued shares on repayment date	12,075,250	12,082,591	–
Reduction in share capital (CHF)	(5,433,863)	(5,437,166)	–
Increase in reserves (CHF)	244,378	507,357	–
Cancellation of treasury shares			
Number of treasury shares cancelled	–	–	696,788
Reduction in share capital (CHF)	–	–	(69,679)
Reduction in reserves CHF	–	–	(27,105,053)
Conditional share capital			
Reserved for employee stock option plans			
Number of shares	921,619	917,180	890,622
CHF	506,890	91,718	89,062
Reserved for future business development			
Number of shares	1,800,000	1,800,000	1,800,000
CHF	990,000	180,000	180,000
Authorized share capital			
Expiring on April 23, 2010			
Number of shares	1,200,000	2,400,000	2,400,000
CHF	660,000	240,000	240,000

As at December 31, 2009, the Company's share capital was CHF 1,141,259 and was divided into 11,412,590 registered shares with a nominal value of CHF 0.10 each. Each share is entitled to dividend payments whenever the shareholders approve a profit distribution. The Company does not have any bearer shares, participation certificates or bonus certificates outstanding.

Conditional share capital – changes in capital

In 1997, the Company's shareholders approved the creation of conditional share capital of CHF 1,300,000 (consisting of 1,300,000 registered shares with a nominal value of CHF 1.00 each) for the purpose of employee stock options. Several employee stock option plans were adopted based on this conditional share capital. Details of options granted under these plans are given in the consolidated financial statements under Note 14 "Employee benefits." A total of 26,558 options were exercised in fiscal year 2009 (2008: 4,439 options; 2007: 72,774 options), increasing the Company's share capital by CHF 2,656 (2008: CHF 2,338; 2007: CHF 71,365) and decreasing the Company's conditional capital by 26,558 shares (2008: 4,439 shares; 2007: 72,774 shares). As of December 31, 2009, 455,376 shares of the conditional share capital were reserved for outstanding employee stock options. These shares correspond to a share capital of CHF 45,538. On April 26, 2006, the shareholders approved the creation of additional conditional share capital. The Company's share capital may be increased by a maximum of CHF 180,000 through the issue of a maximum of 1,800,000 registered shares to be paid in full with a nominal value of CHF 0.10 each. This increase shall be achieved through the exercise of conversion or option rights granted in connection with bonds or similar instruments issued by the Company or group companies or through the exercise of option rights granted to shareholders. Shareholders' preemptive rights are excluded. The acquisition of registered shares through the exercise of conversion or option rights and any further transfer of registered shares is subject to the restrictions specified in Article 5 of the Articles of Incorporation. In the case of convertible bonds or warrant-linked bonds, the preferred subscription rights of the shareholders may be restricted or excluded by resolution of the Board of Directors 1) to finance or refinance the acquisition of companies, parts of companies or equity investments, or 2) to issue warrant-linked or convertible bonds on international capital markets. If preferred subscription rights are excluded, then 1) the bonds must be placed at market conditions, 2) the exercise period for warrants must be limited to five years and the exercise period for conversion rights must be limited to ten years from the date the bond was issued, and 3) the conversion or exercise price for the new shares must be set at least in line with the market conditions prevailing on the bond issue date.

Authorized share capital

On April 26, 2006, and on April 23, 2008, the shareholders approved the creation of authorized share capital, which authorizes the Board of Directors to increase the share capital at any time up to April 23, 2010, by a maximum of CHF 240,000 through the issue of not more than 2,400,000 registered shares to be paid in full with a nominal value of CHF 0.10. Increases by way of firm commitment underwriting as well as partial increases are permitted. The respective issue amount, the dividend entitlement date, the type of contributions and potential acquisitions of tangible assets will be determined by the Board of Directors. Following acquisition, the new registered shares are subject to the restrictions specified in Article 5 of the Company's Articles of Incorporation. The pre-emption rights of the shareholders may be restricted, excluded and allocated to third parties by resolution of the Board of Directors, if the new shares are intended to be used 1) to pay for the acquisition of companies, parts of companies or equity investments, 2) to finance or re-finance the acquisition of companies, parts of companies or equity investments, or 3) for an international placement of shares. Shares for which subscription rights were granted but not exercised must be used by the Board of Directors in the interest of the company. The Company does not have convertible bonds or any options outstanding other than the aforementioned employee stock options.

Limitations on transferability and nominee registrations

Registration of voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account. No person shall be registered as a shareholder with voting rights for more than 5 per cent of the share capital, regardless of the total number of holdings. The Company's Board of Directors may register nominees for not more than 2 per cent of the share capital as shareholders with voting rights in the share register. Nominees are shareholders who do not explicitly declare in the registration application that they hold the shares for their own account and with whom the Company has entered into a corresponding agreement. In addition, for shares in excess of 2 per cent of the share capital, the Board of Directors may register nominees with voting rights in the share register if such nominees disclose the names, addresses, nationalities and shareholdings of those persons for whose account they hold 2 per cent or more of the share capital. Legal entities and companies that are linked to one another in terms of capital and voting power through uniform management or otherwise, as well as individuals, legal entities or companies coordinating their actions to circumvent the registration limitations, are considered to be one person. The Board of Directors is entitled to grant exceptions to the registration limitations in special cases. No such exceptions were granted in 2009. The procedures and conditions for canceling these limitations on transferability are described in Section 6.

3 Board of Directors

Board of Directors
Brief profiles of the members of the Board of Directors can be found on pages 32 and 33.

Independence
All the members of the Board of Directors are non-executive members. None of the Board members was formerly a member of the management of Tecan Group Ltd. or any group company during the period under review or the three preceding periods.

Election, term of office, organization and responsibilities
Pursuant to the Company's Articles of Incorporation, the Board of Directors is composed of a minimum of one and a maximum of seven members, who are elected for a term of one year. Re-election after the end of the term is permitted. The Board of Directors is responsible for the ultimate supervision and management of the Company, including the development of general strategies and guidelines, and for all other duties that are non-transferable under applicable law. To the extent permitted by law and provided that there is no conflict with the Company's Articles of Incorporation and the Organizational Regulations adopted by the Board of Directors, management of the Company's affairs is delegated to the Executive Committee pursuant to the Organizational Regulations. The Board of Directors meets as often as business matters require. The Board shall meet at least five times a year upon invitation of the Chairman or, in his absence, upon invitation of another Board member. Any member of the Board of Directors may call a meeting by specifying the reasons for the meeting. The meetings usually last one whole day. As a general rule, the CEO and CFO attend the Board meetings (in whole or in part), together with any other members of the Corporate Executive Committee or senior management invited by the Chairman. Meetings may also be held by videoconference or by telephone. The Board of Directors passes its resolutions by an absolute majority of votes of Board members present. In the event of a tie, the Chairman of the Board has the deciding vote. Resolutions may be passed by postal vote unless a member requests oral deliberation.

Board of Directors

Rolf Classon

Chairman of the Board
Chairman of the Nomination and Governance Committee
Since 2009, elected until 2010
1945
Swedish citizen, Chemical Engineer, Gothenburg School of Engineering, Pol. Mag. University of Gothenburg

Professional background:
1969 to 1974 Pharmacia AB, Director, Organization Development; 1974 to 1978 Asbjorn Habberstad AB, Consultant; 1979 to 1984 Pharmacia AB Hospital Products Division, President; 1984 to 1990 Pharmacia Development Company, Inc., President; 1990 to 1991 Pharmacia Biosystems AB, President and COO; 1991 to 1995 Bayer Diagnostics, Executive Vice President; 1995 to 2002 Bayer Diagnostics, President; 2002 to 2004 Bayer HealthCare, CEO and Chairman of the Executive Committee; 2005 to 2006 Hillenbrand Industries, interim President and CEO.

Other activities:
Auxilium Pharmaceuticals, USA, Non-executive Chairman; Hill-Rom Holdings, USA, Non-executive Chairman; Enzon Pharmaceuticals, USA, Board member; Millipore Corporation, USA, Board member; Eurand Pharmaceuticals, Netherlands, Board member

Heinrich Fischer

Vice Chairman of the Board
Chairman of the Compensation Committee
Since 2007, elected until 2009
1950
Swiss citizen, Master of Applied Physics & Electrical Engineering (ETH Zurich), MBA (University of Zurich)

Professional background:
Four years R&D in electronics (ETH Zurich, IBM); 1980 to 1990 Director of Staff Technology and Executive Vice President at Balzers Division of Oerlikon-Bührle Group; 1991 to 1996 Executive Vice President, Corporate Development at Oerlikon-Bührle Group; 1994 to 2005 Co-founder and Chairman of ISE (Integrated System Engineering); 1996 to 2007 Delegate of the Board and Chief Executive Officer Saurer Group.

Other activities:
Schweiter AG, Member of the Board; Gurit AG, Member of the Board; Hilti AG, Member of the Board; Fortu AG, Member of the Board

Dr. Lukas Braunschweiler

Chairman of the Audit Committee
Since 2009, elected 2010
1956
Swiss citizen, Master's degree in Chemistry (ETH Zurich), Dr. sc. nat. (ETH Zurich)

Professional background:
1985 to 1988 Wild Leitz Heerbrugg AG (now Leica Geosystems), Member of the Special Products Division Management; 1988 to 1991 Huber + Suhner AG, Member of the Executive Board and Head of the Special Materials and Plastics Division; 1991 to 1992 Saurer Group Holding AG, Senior Member of the Executive Board; 1992 to 1995 Landis & Gyr AG (now Siemens AG), Senior Member of the Regional Management Board, Executive Vice President of Landis & Gyr Europe AG; 1995 to 2000 Mettler-Toledo International Inc., Member of the Group Executive Board, Executive Officer and Group Vice President as well as President of Mettler-Toledo, Inc.; 2002 to 2009 Dionex Corporation, President & CEO and Member of the Board of Directors. Since 2009 RUAG Holding AG, CEO.

Other activities:
none

Dominique F. Baly

Since 2009, elected until 2010
1948
French and US citizen
University Louis Pasteur, Strasbourg, Faculty of Pharmacy, Diplôme d'Etat de Pharmacien

Professional background:
1976 to 1982 Millipore Intertech, General Manager; 1983 to 1986 Waters Chromatography, Vice-President and General Manager Europe; 1986 to 1987 Millipore, Vice-President and General Manager Europe; 1988 to 1993 Millipore Corporation, President Intertech Division, 1994 to 2000 Vice-President and General Manager, Analytical Divisions, Member of the Corporate Executive Committee; 2001 to 2005 Millipore Corporation, President, Laboratory Water Division, 2005 to 2008 President, Bioscience Division, Corporate Officer; 2009 to present Accelerator Sciences LLC, President and CEO.

Other activities:
Ventria Bioscience, USA, Board member;
Microsep PTY Ltd., South Africa, Board member

Dr. Jürg Meier

Since 2007, elected until 2009
1941
Swiss citizen, Diploma as Chemist (dipl.chem. ETH, ETH Zurich), Master of Science M.S. (Rensselaer Polytechnic Institute, Troy, NY, USA), Doctor of Technical Sciences in Physical Chemistry (Dr. sc. techn., ETH Zurich), Advanced Management Program (INSEAD France)

Professional background:
1971 to 1980 Various positions within Sandoz Pharma Ltd., Basel; 1981 to 1982 Visiting Scientist at Massachusetts Institute of Technology MIT (USA), 1983 to 1990 Executive Vice President, Head of R+D and Member of the Board at Biochemie Ges.m.b.H. Kundl (Austria); 1991 to 1996 Various senior management positions within Sandoz Pharma Ltd. in Switzerland, Japan and the USA; 1996 to 1997 Head of Worldwide Management Development and Executive Training at Novartis, Basel; 1996 to 2006 Executive Director Novartis Venture Fund; since 2006 Consulting and teaching entrepreneurs and start-up companies.

Other activities:
Polyphor AG, Chairman of the Board; Cardiolynx AG, Chairman of the Board; Solvias AG, Board Member; BioMed Invest AG, Board Member

Prof. Dr. Peter Ryser

Since 2004, elected until 2009
1951
Swiss citizen, MS Physics (University of Neuchâtel), PhD Physics (University of Geneva) and Master's degree in Corporate Management (Lucerne)

Professional background:
Scientific Assistant, Institute of Physics, University of Geneva, 1979 to 1984, Scientific Collaborator, Cerberus AG, 1985 to 1989, Head of Research, Siemens Building Technologies, Männedorf, 1990 to 1998 (formerly Cerberus Ltd.); since 1998 Professor of Micro-engineering, Swiss Federal Institute of Technology, Lausanne (EPFL).

Other activities:
Sensile Technologies Ltd., Board member; Festo Microtechnology Ltd., Board member; Cranes Software International Ltd., Board member; member of the commission for education and research of Economiesuisse (umbrella organization representing Swiss companies); member of the commission on armament of the Federal Department of Defence, Civil Protection and Sport

Gérard Vaillant

Since 2004, elected until 2009
1942
US citizen, Degree in Marketing (École Supérieure de Commerce, Paris) and MS (University of Sciences, Paris)

Professional background:
Various senior management positions within Johnson & Johnson (US), including Vice-President, J&J International, 1987 to 1992, Worldwide President LifeScan (a J&J company), 1992 to 1995, and Company Group Chairman Diagnostics Worldwide, 1995 to 2004. He was a member of the Medical Devices & Diagnostics Group Operating Committee of J&J until he retired in 2004.

Other activities:
Sensors for Medicine and Science, Inc., USA, Board member; Luminex Corporation, USA, Board member;
Vivacta Ltd., U.K., Board member; National Air Charters, USA, Board member;
OncoMethylome Sciences SA, Belgium, Board member

Committees

The Board of Directors may appoint committees composed of members of the Board to prepare and implement its resolutions and to exercise its supervisory function. The committees meet upon invitation of the respective chairman and as often as business requires, but at least twice a year. The committee meetings usually last between two and three hours. Committee resolutions and proposals for consideration by the entire Board of Directors are passed by a majority of votes cast, provided that there is a quorum of at least two committee members present. Resolutions may also be passed by postal vote. The Board of Directors has established three committees that are composed as follows:

	Audit Committee	Compensation Committee	Nomination and Governance Committee
Rolf Classon			Chairman
Heinrich Fischer		Chairman	Member
Gérard Vaillant	Member		
Prof. Dr. Peter Ryser		Member	
Dr. Jürg Meier	Member		
Dr. Lukas Braunschweiler	Chairman		Member
Dominique F. Baly		Member	

Audit Committee

The Audit Committee is composed of at least two members. The Audit Committee's principal duties and responsibilities are to form an opinion regarding internal and external audits and to monitor cooperation between the external statutory auditors and the Company; to assess the quality of internal audits and compliance; to review the annual financial statements (both consolidated and single-entity) and interim financial statements destined for publication and report on them to the full Board of Directors; to make recommendations to the full Board of Directors, especially with regard to the approval of annual and interim financial statements; and to monitor the independence, performance and fees of the statutory auditors and to propose that they be appointed or reappointed by vote of the Annual General Meeting. Representatives of the external statutory auditors may attend meetings of this committee at the invitation of the Chairman.

Compensation Committee

The majority of members of the Compensation Committee must be non-executive and independent members of the Board of Directors. The principal duties and responsibilities of the Compensation Committee are to submit proposals to the full Board of Directors regarding the amount and type of remuneration for the members of the Board of Directors, the CEO, and the other members of senior management. The Compensation Committee reviews reports on salary structure and salary trends and monitors the disclosure requirements pertaining to compensation for senior management and the Board of Directors.

Nomination and Governance Committee

The majority of members of the Nomination and Governance Committee must be independent and non-executive members of the Board of Directors. The committee consists of three members. It is chaired by the Chairman of the Board. The other members are the chairmen of the Audit Committee and the Compensation Committee. The most important duties of this committee include succession planning at the level of the Board of Directors and the Corporate Executive Committee; defining the selection criteria for members of the Board of Directors and the Corporate Executive Committee; and regular review of the performance of the Board of Directors, its committees and its individual members based on a defined evaluation plan. This committee is also charged with monitoring risk management and corporate governance.

Information and control instruments

The members of the Executive Committee are actively involved in the various committees of the Board of Directors. The CEO, CFO, the internal auditors and sometimes the external statutory auditors attend the meetings of the Audit Committee, for example. In addition, members of the Corporate Executive Committee meet with individual Board members on an ad hoc basis to discuss and delve more deeply into specific topics. Description of periodic reporting to the Board of Directors: the Board of Directors receives monthly reports from the Group's management information system so that it can monitor financial performance. All relevant guidelines are presented to the Board of Directors or the appropriate committees for approval to ensure shared responsibility for all major decisions.

Internal Audit: Tecan has had its own internal audit department since 2007. Since the internal auditors report to the Audit Committee, their independence is assured. All companies are audited every three years on the basis of a risk analysis. The annual audit plan consists of audits of all major companies and is approved by the Audit Committee. A summary of significant findings and recommendations is submitted directly to the Audit Committee as well as to the CEO and CFO. The reports are also made available to the external statutory auditors. Areas audited include internal control system for financial reporting, compliance with laws and standards and the efficiency and effectiveness of business processes. Additional information on risk management is given in Note 29 to the consolidated financial statements.

4 Management

Corporate Executive Committee

Brief profiles of the members of the Corporate Executive Committee can be found on pages 36 and 37.

Management contracts

No agreements between the Company and third parties that are not part of the Tecan Group were entered into or renewed in 2009 for the purpose of delegating management responsibilities.

5 Content and method of determining compensation and stock option plans

The structure of compensation for members of the Board of Directors and senior management and of employee stock option plans is determined by the Board of Directors based on proposals by the Compensation Committee. The CEO and CFO attend the relevant committee and Board meetings and can make recommendations but have no voting rights. The areas of authority and responsibility for determining compensation and employee stock option plans are defined in the Company's Organizational Regulations. Compensation details and information to be provided under Art. 663 bis of the Swiss Code of Obligations are given in Note 13 to the balance sheet of Tecan Group Ltd. (pages 98 to 99). The Board of Directors has used a salary study by PricewaterhouseCoopers, Zurich, that compares firms in the global life science industry and firms in Switzerland of comparable size and market capitalization, to determine the level of management compensation. No external advisors or consultants were involved in structuring the compensation and stock options plans in 2009.

Cash compensation

The management compensation structure is based on the Variable Pay Regulations, which are approved by the Board of Directors. They are reviewed annually or as required. The Variable Pay Regulations provide that compensation for members of the Corporate Executive Committee shall consist of a fixed salary in cash and a variable bonus in cash. The variable performance-based bonus amounts to 30 per cent of fixed salary for members of the Corporate Executive Committee and 40 per cent for the CEO. The bonus amount is based on the degree to which the following targets are met: first, the Company's sales and EBIT targets and, second, individual quantitative and qual-

Corporate Executive Committee

Thomas W. Bachmann

Chief Executive Officer, Member since 2005
Joining Tecan in 2005
1959
Swiss citizen, Bachelor of Science in Mechanical Engineering (University of Applied Sciences, Berne, Switzerland), Executive MBA (IMD, Lausanne, Switzerland)

Professional background:
From 2002 to 2004, Thomas Bachmann served as CEO of the Steel Systems Division at AFG Arbonia-Forster-Holding Ltd. with responsibility for five business units. From 1985 to 2002, he was active for Rieter Holding Ltd. in various operating, executive and strategic positions in Europe and the USA and lead key projects for the company in India and Asia. His responsibilities encompassed sales and marketing, engineering and development, supply chain management and production, global general management and corporate development. Thomas Bachmann began his career in 1984 as an engineering scientist at the Medical Centre of Queen's University in Canada.

Other activities:
ALSSA (Analytical & Life Science Systems Association), USA, Board member

Dr. Rudolf Eugster

Chief Financial Officer of Tecan Group
Member since 2002
Joining Tecan in 2002
1965
Swiss citizen, Degree in Chemistry (Swiss Federal Institute of Technology), PhD in Technical Science (Swiss Federal Institute of Technology), Postgraduate degree in Business Administration (Swiss Federal Institute of Technology)

Professional background:
1993 to 1994 Strategic planning/controlling at Novartis; 1994 to 2002 Several positions at Von Roll, the last of which was CFO of Isola Composites, a joint venture between Von Roll and Isola AG.

Other activities:
none

Dr. Jürg Dübendorfer

Senior Vice President, Head of Business Unit Services and Consumables
Member since 2006
Joining Tecan in 2001
1968, Swiss citizen, MSc in Physics (Swiss Federal Institute of Technology, Zurich), PhD (University of Freiburg, Switzerland), Executive MBA Rochester-Berne (University of Rochester, NY, USA)

Professional background:
1995 to 1998 Research and teaching assistant at the Swiss Centre of Microtechnology, Zurich, Switzerland; 1998 to 2001 Engineering Manager at Perkin Elmer Life and Analytical Sciences, Downers Grove, IL, USA; 2001 to 2004 Head of R&D Biopharma at Tecan Schweiz AG; 2004 to 2006 Product Group Manager Applications at Tecan Schweiz AG.

Other activities:
none

Christopher C. Hanan

Senior Vice President, Head of Business Development
Member since 2006
Joining Tecan in 2004
1969
Swiss and US citizen, BSc from Georgetown University (Washington, DC, USA), MBA from the Harvard Business School (Cambridge, MA, USA).

Professional background:
1993 to 1995 Consultant at the Boston Consulting Group (BCG), Zurich, Switzerland; 1997 to 1999 Co-founder and Head Product & Business Development at New View Technologies Inc.,New York, NY, USA; 1999 to 2004 Co-founder Miradiant Global Network (sold to BankOne Corp), FVP BankOne Corp, Chicago, IL, USA; since 2004, Tecan Group, Switzerland.

Other activities:
Member of the Board of Webrepublic AG

Stephen M. Levers

Senior Vice President, Head of Business Unit Components
Member since 2006
Joining Tecan in 1997
1954
US Citizen, BS in Finance (San Jose State University), MBA (University of Santa Clara)

Professional background:
1977 to 1980 Financial Analyst at General Electric; 1980 to 1984 Finance Manager at Atari; 1984 to 1988 Financial Analysis Manager at Zilog; 1988 to 1990 Controller at Macamerica; 1990 to 1993 Several management positions at Dynatech; 1993 to 1997 Controller at Commax Technologies; 1997 to 2005 Several management positions at Tecan, such as Controller of Tecan Systems (San Jose, C.A.), President of Tecan Systems.

Other activities:
none

Domingo Messerli

Senior Vice President, Head of Business Unit Sample Management Member since 2008 Joining Tecan in 2008
1959
Swiss citizen, Bachelor of Science (Engineering School of Basel), Executive MBA (University of St. Gallen)

Professional background:
1982 to 1986 Project Manager at Brown & Boveri (now ABB); 1986 to 1991 Head of Engineering Department and Project Manager at Buss AG; 1991 to 1997 Head Business Unit Environmental Technology at Ingtec AG; 1997 to 2004 Several senior management positions at Glatt AG, such as CEO of the Swiss headquarters of the Glatt Group as well as its associated international subsidiaries, member & Chairman of several Boards of Directors in the Glatt Group, Head of Global Sales and Marketing Business Unit Pharmaceuticals; 2005 to 2008 Independent consultant and CEO at Elektrizitäts AG, Basel.

Other activities:
none

Matthew Robin

Senior Vice President, Head of Business Unit Liquid Handling & Robotics Member since 2007 Joining Tecan in 2007
1965
Swiss and British citizen, MEng. in Chemical Engineering (Imperial College, London)

Professional background:
1987 to 1998 Several management positions at Lonza AG in Switzerland and the US; 1998 to 2000 Head of Production and Logistics at Disetronic, Burgdorf; 2000 to 2003 Divisional Head Disetronic Injection Systems at Disetronic, Burgdorf; 2003 to September 2006 CEO of Ypsomed, Burgdorf.

Other activities:
Coltene Holding AG, Board member

Carl Severinghaus

President Tecan Americas, Member since 2007 Joining Tecan in 1991
1952
US citizen, B.A. in Public Speaking and Communications (Drake University, Des Moines, Iowa, USA)

Professional background:
1980 to 1991 National Sales Manager and other sales management positions at American Monitor Corporation (Indianapolis, IN, USA); 1991 to 1998 Vice President Sales/National Sales Manager Tecan US, Research Triangle Park, North Carolina; 1999 to 2006 President/General Manager Tecan US and 2000 to 2003 Head of BioPharma Business Unit, Member of Executive Committee, Research Triangle Park North Carolina; 2007 to 2008 Sr. Vice President International Sales, Tecan Group, Zurich, Switzerland, and Member of the Executive Committee, 2009 to present: President Tecan Americas, Research Triangle Park, North Carolina, Member of Executive Committee.

Other activities:
none

Frederic Vanderhaegen

Senior Vice President, Head of Business Unit Detection Member since 2008 Joining Tecan in 2008
1967
Belgian citizen, Biochemical Industrial Engineer (Meurice Institute, Brussels), Chemical Process Engineer (University of Brussels), MBA (Open University)

Professional background:
1992 to 1995 Research activities at Meurice Institute (Brussels, Belgium); 1995 to 2008 Several specialist and management functions at Millipore, such as Sales Representative Analytical Division (Brussels, 1995 to 1998), Global Product Manager and Sales Manager Applied Microbiology Division as well as Area Division Manager Biopharmaceutical Division (Strasbourg, France, 1998 to 2005), North American Director, Sales & Service Bioscience Division (2005 to 2008, Boston, USA).

Other activities:
none

Günter Weisshaar

Senior Vice President, Head of Quality Assurance and Regulatory Affairs Tecan Group Member since 2003 Joining Tecan in 2003
1960
Swiss citizen, degree in Aircraft Engineering, background and education in Quality Assurance, Management (IGW St. Gallen), Risk Management for Medical Devices, Project Management

Professional background:
Until 1988 Several positions in quality assurance at various companies; 1988 to 1997 Manager, Quality Assurance and Logistics at Schöttli AG; 1998 to 1999 Manager, Quality Engineering, Schneider (Europe) AG; 1999 to 2003 Manager, Quality Assurance Europe at Jomed AG.

Other activities:
Regulatory Affairs Committee, EDMA (European Diagnostic Manufacturers Association), Member

itative targets. The financial targets (sales and EBIT) are set annually by the Board of Directors in December for the following year. Individual targets are defined in advance on an annual basis in the form of measurable operational and quality targets in consultation between the individual and the person or entity to which that individual reports. The financial targets account for 60 to 80 per cent of the variable bonus, and the personal targets account for 20 to 40 per cent. If less than 80 per cent of the target is reached, the variable bonus is not paid. If the targets are exceeded, the variable bonus may not exceed 200 per cent of the target bonus. In 2009, the financial targets at Group level were slightly exceeded.

The Board of Directors reviews the performance of the CEO annually and approves the actual bonus to be paid to that officer. The Compensation Committee does the same for members of the Corporate Executive Committee. The fixed salary for members of the Corporate Executive Committee is set annually by the Compensation Committee, and the CEO's fixed salary is set by the entire Board of Directors. The Corporate Executive Committee members affected by these deliberations do not attend the Board or committee meetings. The amount and type of compensation for the Board of Directors is reviewed annually by the Compensation Committee and must be approved by the Board of Directors. Since April 2004, members of the Board of Directors have been compensated for their service on the Board and on committees in the form of a fixed annual fee. Expenses are reimbursed separately.

Stock option plans

In addition to fixed salary and variable salary components and as a long-term retention and incentive tool, the Company awarded options on Tecan stock in 2009 to the members of the Board of Directors and the Corporate Executive Committee, among others. Details on these options are given in Note 14.4 of the consolidated financial statements. The terms and conditions of the options are set forth in the Plan Rules. The proposal on the Plan Rules as well as the scope of the stock option plan and the benefit entitlement amount per employee category were first discussed by the Compensation Committee and then approved by the Board of Directors. The CEO and CFO attended the respective committee and Board meetings but did not have the right to vote. Each year, the members of the Corporate Executive Committee are also entitled to an additional loyalty bonus that will be paid out three years after being granted, contingent on continued employment during this three year period. This bonus is for the purpose of purchasing Tecan stock options from a bank at market conditions (further details are given in Note 13.4 to the balance sheet of Tecan Group Ltd.).

6 Shareholders' participation rights

Each share entitles the bearer to one vote. No shareholder or group of shareholders acting in concert to circumvent the voting limitation may combine more than 5 per cent of all voting rights at any Annual General Meeting. The Board of Directors may grant exemptions to the voting right restriction in special cases. This voting right restriction does not apply to the exercise of the voting right by the company-appointed proxy ("Organvertreter") or the independent proxy. The Board of Directors may enter into agreements with banks containing stipulations that diverge from the aforementioned voting restriction to facilitate the exercise of voting rights for shares held in custody accounts. No such exceptions were approved or continued in the year under review. Shareholders may only be represented at the Annual General Meeting by their legal representative, another shareholder with voting rights, the independent proxy, the company-appointed proxy or a proxy appointed by a custodial institution. Proxy representation requires a written power of attorney that is only valid for the meeting for which it is issued. Article 13 paragraph 2 of the Company's Articles of Incorporation stipulates the matters for which a majority greater than that prescribed by law is required in order to pass a shareholders' resolution, namely a qualified majority of at least two-thirds of the votes represented and an absolute majority of the nominal stock value represented.

The types of transaction covered by this provision are as follows:

- the conversion of registered shares into bearer shares;
- the cancellation or modification of transferability restrictions (Article 5 of the Articles of Incorporation);
- the cancellation or modification of voting right restrictions (Article 12 paragraph 4 of the Articles of Incorporation);
- the dissolution and liquidation of the Company and the removal of Art. 13 paragraph 2 itself from the Articles of Incorporation and the elimination or modification of the quorum specified in this provision.

Shareholders who together hold shares of at least 1 per cent of the share capital may request in writing no later than 56 days prior to an Annual General Meeting that a specific item be included on the agenda. Shareholders who together represent at least 10 per cent of the share capital may request that an Annual General Meeting be convened. Shareholders registered as having voting rights are informed by mail of the convening of an Annual General Meeting at least 20 days prior to the meeting. The notice is also published in the Swiss Official Gazette of Commerce. No entries are made in the share register from the day on which the meeting notices are mailed until the day after the Annual General Meeting. Registration in the share register is described in greater detail in the Company's Registration Regulations.

7 Change of control and defense measures

The Company's Articles of Incorporation do not contain any rules on opting-out or opting-up in order to cancel or restrict the obligation to submit an offer pursuant to the Federal Act on Stock Exchanges and Securities Trading. One third of the options that were issued from 2007 to 2009 in conjunction with ESOP (for details see consolidated financial statements, Note 14.4: "Share-Based Payment") vest each year (vesting period). During this vesting period, these options generally cannot be exercised. When there is a change of control, these options vest immediately and may be exercised immediately (accelerated vesting period). Besides this, there are no change-of-control clauses included in agreements or compensation plans that benefit members of the Board of Directors, the Company's Executive Committee, or the Tecan Group.

8 Statutory Auditors

Date on which KPMG AG took over the existing auditing mandate	May 28, 1997
Date on which the lead auditor took up his position	2004

Fees paid

CHF 1,000	2008	2009
Total auditing fees	726	674
Total tax consulting fees (KPMG)	199	68
Total other consulting fees (KPMG)	69	1

The auditors are appointed by vote of the Annual General Meeting of Shareholders for a one-year term. The external audit has been reviewed by the Audit Committee since 2003. The auditors attend the meetings of the Audit Committee at which the annual and semi-annual financial statements are discussed and preparations are made for approval by the Board of Directors. The auditors report on the audit focus and summarize the audit findings. The auditors submit recommendations regarding the scope of the audit and its focus for the upcoming audit period. At year's end, the Audit Committee reviews the performance of the auditors as well as the audit costs and submits a proposal to the Board of Directors regarding reappointment of the auditors. Every four years, the Company issues a new request for audit proposals. The lead auditor must be changed every seven years.

9 Information policy

It is Tecan's policy to inform shareholders and the financial community on a regular basis about significant developments in the Company's business operations. This policy is implemented primarily through regular press releases, interim and annual financial reports, and information provided on the Company's website (www.tecan.com). Company publications are available in printed form on request. They can also be downloaded from the Tecan website. Tecan has not published quarterly financial reports since fiscal year 2007.

Important dates for investors

Date	Place	Event Description
March 4, 2010	Zurich	Full Year Results 2009
April 21, 2010	Zurich	Annual Shareholder Meeting
August 12, 2010	Webcast/ Conference Call	Half Year Results 2010

For mail or phone inquiries please contact:

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Financial Report 2009

Chief Financial Officer's Report

The Tecan Group closed full year 2009 with a strong operating result notwithstanding the tough economic environment. Sales were slightly above the prior-year level in local currency terms. The operating profit margin was maintained at the high level of 2008. The cash flow from operating activities increased significantly. Earnings per share reached a record level in the Company's history. Tecan consolidated its strong balance sheet: the equity ratio rose to 58.2 % and the net liquidity position to CHF 80.6 million.

Dr. Rudolf Eugster
Chief Financial Officer

Sales

At CHF 391.9 million, sales reached approximately the prior-year level (2008: CHF 396.0 million). Sales were 1.0 % below the prior-year level in Swiss francs but 0.9 % higher in local currency terms.

In Europe, sales in Swiss francs decreased by 5.1 %, being negatively impacted by the exchange rate development of the euro versus the Swiss franc. Sales in Europe were 0.7 % below the prior-year level in local currency terms. Business performance was still very mixed across the various European countries. The countries in Eastern Europe and the Middle East serviced by local distributors were hit harder by the effects of the economic crisis, whereas the OEM business in Europe posted gains.

In North America, Tecan's sales grew by 4.9 % in Swiss francs and 4.5 % in local currencies. Sales growth in North America was driven mainly by improved end-customer business across all business segments and by higher demand for OEM components. Projects from government programs to stimulate the US economy only made a minor contribution to sales in 2009, as the majority of these will only be implemented in 2010.

Sales in Asia remained at the prior-year level in Swiss francs, but were 1.4 % lower in local currency terms. The key markets of Japan and China recorded double-digit growth, while other countries in the Asia-Pacific region like Australia posted declines in sales.

The strategically important international OEM business grew by 8.2 % in the reporting year, and its contribution to total sales increased to 28.0 % (2008: 25.6 %). The proportion of total sales accounted for by consumables increased to 8.2 % (2008: 7.2 %). The recurring revenues of the services and consumables business together accounted for 32 % of total sales (2008: 30 %).

Gross profit

Gross profit amounted to CHF 198.9 million in 2009, which was 3.1 % or CHF 6.4 million below the prior-year figure (2008: CHF 205.3 million). The gross profit margin reached 50.8 % of sales (2008: 51.8 %). The foreign exchange rates had a negative impact of 0.4 % on the gross profit margin. A less advantageous product mix had a further negative impact on the gross profit margin, whereas price increases and further material cost savings had a positive effect.

Operating expenses less cost of sales

Operating expenses less cost of sales decreased by 3.9 % or CHF 5.7 million, a greater decrease than the drop in sales. Operating expenses totalled CHF 140.3 million in 2009 (compared with CHF 146.0 million in 2008).

Sales and marketing expenses decreased by 6.9 %. A positive foreign exchange rate impact and lower sales administration and warehousing costs contributed to the savings.

Expenditure on research and development was 1.9 % below the prior-year level and amounted to CHF 39.9 million or 10.2 % of total sales. However, total R&D investments stood at CHF 42.6 million or 10.9% of sales, including CHF 2.7 million in capitalized R&D costs.

General and administration expenses were down by 1.7 %, mainly driven by lower costs in IT and financial areas.

At year-end, the total number of employees stood at 1122 full-time employees (Dec. 31, 2008: 1116). Personnel expenses totalled CHF 138.9 million in 2009 (compared with CHF 132.0 million in 2008). The net added value index, which is the productivity indicator used at Tecan, again reached a high value of 1.43 in 2009 (2008: 1.45).

Operating profit

At 15.2%, the operating profit margin was maintained at the previous year's high level, although Tecan made substantial additional investments in innovation projects and entry into new markets. In 2009, Tecan achieved an operating profit (EBIT) of CHF 59.6 million (2008: CHF 60.1 million before impairment charges in the Sample Management business segment; CHF 31.2 million including impairment charges). The negative

At 15.2 %, Tecan achieved an operating profit margin at the previous year's high level.

currency effect on Tecan's operating result amounted to CHF 2.2 million. The less advantageous product mix had a further negative impact on the operating profit, whereas the increased volume and the material cost and OPEX savings had a positive impact. Additional investments of CHF 4.0 million for the "Innovation & Incubation" Group, the Sales & Marketing expansion in Asia and for the OEM business, as well as the investments in project Ginseng, lowered the operating profit to the reported level.

Financial result and taxes

The financial result reached CHF 0.5 million (2008: CHF 1.3 million). The factors contributing to this decrease included lower interest income, lower adjustments of provisions for share-based compensation and increased finance cost. In 2009, the foreign exchange gains from derivative-based currency hedging and other currency positions totalled CHF 2.5 million.

Tecan incurs foreign currency risks on sales, purchases and borrowings denominated in a currency other than the functional currency of the respective subsidiaries. On a consolidated basis, Tecan is also exposed to currency fluctuations between the Swiss franc (CHF) and the functional currencies of its subsidiaries. The two major currencies giving rise to currency risks are the euro (EUR) and the US dollar (USD). The hedging policy of Tecan is to cover the foreign currency exposure to a certain percentage of the operating activities (forecast sales and purchases). Tecan uses forward exchange contracts, currency options and swaps to hedge its foreign currency risk on specific future foreign currency cash flows. These contracts have maturities of up to 18 months. Tecan does not hedge its net investment in foreign entities and the related foreign currency translation of local earnings.

Tecan was able to maintain the tax rate at a low level of 18.0 % (2008: 16.8 %).

Net profit

Net profit reached CHF 49.3 million (2008: CHF 51.0 million before impairment charges; CHF 25.6 million including impairment charges). The net profit margin amounted to 12.6 % of sales (2008: 12.9 % before impairment charges). The drop in net profit was slightly greater than the decrease in the operating result due to the lower financial result and the higher tax rate. As the result of a share buyback program carried out in 2008, which had an accretive effect in 2009, earnings per share increased to CHF 4.77, the highest value in Tecan's history (2008: CHF 4.67 before impairment charges; CHF 2.35 including impairment charges).

On average, a total of 10.4 million shares were outstanding in 2008 (2008: 10.9 million shares).

Cash flow from operating activities

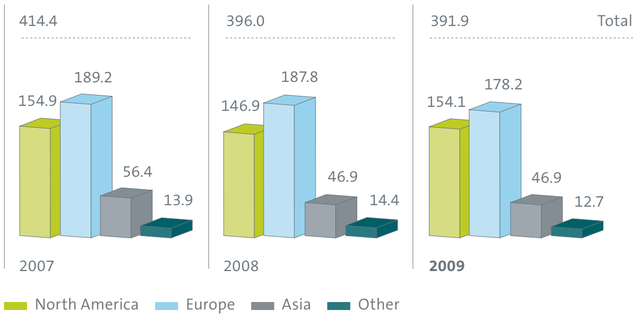
Cash flow from operating activities increased by CHF 7.2 million to CHF 66.2 million (2008: CHF 58.9 million), which corresponds to 16.9 % of sales. At year-end 2009, the net working capital was slightly below the prior-year level. In 2009, investments amounted to CHF 10.9 million compared to CHF 9.1 million for amortization and depreciation. Net liquidity (cash and cash equivalents minus bank liabilities and loans) rose, to reach CHF 80.6 million at the balance sheet date (December 31, 2008: CHF 33.7 million).

Segment report

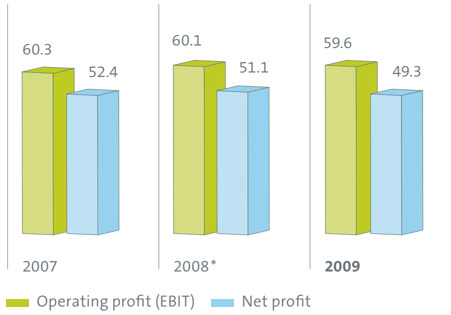
Tecan's reporting is broken down into three segments that represent operations: Components & Detection, Liquid Handling & Robotics, and Sample Management. Services and consumables are an integral part of the business of the reporting segments. The reader is referred to pages 16 to 19 of this annual report for a detailed description of the business performance of the individual segments.

Dr. Rudolf Eugster
Chief Financial Officer

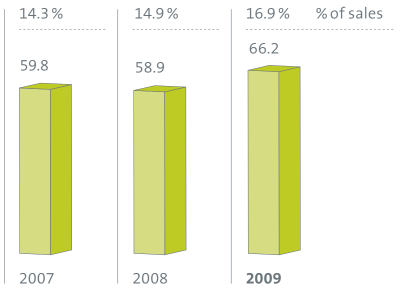
Sales by region
(CHF million)



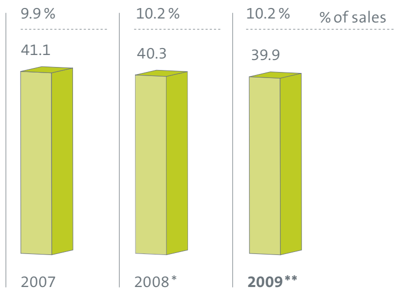
Operating and net profit
(CHF million)



Cash flow from operating activities
(CHF million)

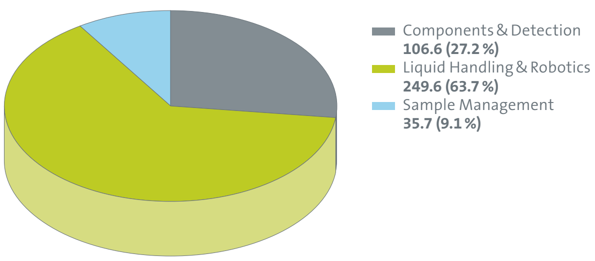


Research and development (gross)
(CHF million)

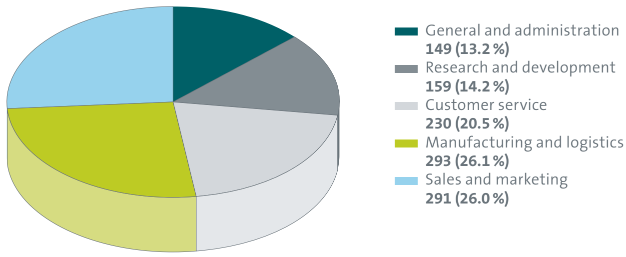


Basic earnings per share
(CHF/per share)

Sales by business segments
(CHF million)



Employees by activity (eop)
Total 1,122 FTE***



*** FTE = Full-time equivalent

Net liquidity

CHF 1,000	2007	2008	2009
+ cash and cash equivalents	102.8	84.7	91.8
+ time deposits	–	–	30.0
– current bank liabilities	–37.5	–13.8	–40.4
– bank loans	–15.2	–37.2	–0.8
= net liquidity	50.1	33.7	80.6

* Excluding non-recurring impairment charges totaling CHF 28.9 million in the Sample Management business segment.

** Total R&D investments of CHF 42.6 million or 10.9 % of sales, including CHF 2.7 million capitalized R&D costs.

Five-year consolidated data

CHF 1,000	2005	2006	2007	2008	2009
Income statement					
Sales	344,900	405,929	414,400	396,042	391,910
Operating profit	24,826	50,854	60,299	31,191	59,587
Financial result	(4,764)	16	2,586	1,301	546
Income taxes	(6,108)	(10,231)	(10,506)	(6,869)	(10,793)
Net profit	13,954	40,639	52,379	25,623	49,340
Research and development, gross	(40,762)	(39,029)	(41,069)	(41,869)	(39,893)
Personnel expenses	(118,389)	(132,826)	(138,619)	(131,990)	(138,918)
Depreciation of property, plant and equipment	(6,603)	(6,372)	(6,574)	(7,649)	(7,278)
Amortization of intangible assets	(4,562)	(5,332)	(4,593)	(3,570)	(1,870)
Impairment losses	(1,437)	(690)	–	(28,879)	–
Balance sheet					
Current assets	206,408	240,714	251,693	237,018	258,963
Non-current assets	131,600	124,889	122,289	88,846	89,656
Total assets	338,008	365,603	373,982	325,864	348,619
Current liabilities	111,758	111,990	135,557	113,840	131,439
Non-current liabilities	82,917	69,772	33,781	52,838	14,247
Total liabilities	194,675	181,762	169,338	166,678	145,686
Shareholders' equity	143,333	183,841	204,644	159,186	202,933
Cash flow statement					
Cash inflows from operating activities	15,177	67,164	59,765	58,929	66,150
Capital expenditure in property, plant and equipment and intangible assets	(6,008)	(6,506)	(9,107)	(7,543)	(6,765)
Acquisitions, net of cash acquired	(60,493)	–	–	–	–
Change in treasury shares (net)	(8,751)	–	(23,626)	(55,353)	1,939
Dividends paid	(4,815)	(5,172)	(5,176)	(5,001)	(9,681)
Other information					
Number of employees (end of period)	1,047	1,087	1,102	1,116	1,122
Number of employees (average)	1,026	1,059	1,108	1,110	1,122
Research and development in % of sales	11.8 %	9.6 %	9.9 %	10.6 %	10.2 %
Sales per employee	336	383	374	357	349
Information per share					
Basic earnings per share (CHF)	1.26	3.54	4.54	2.35	4.77
Dividends paid (CHF)	0.45	0.45	0.45	0.45	0.90
Dividends proposed for 2010 (CHF)					1.00
Payout in form of a nominal value reduction (CHF)	–	–	0.45	0.45	–

Consolidated balance sheet at December 31

Assets

CHF 1,000	Notes	2008	2009
Cash and cash equivalents	5	84,653	91,810
Current loans and derivatives	6	5,241	32,474
Trade accounts receivable	7	88,982	76,764
Other accounts receivable		11,755	14,527
Inventories	8	37,959	38,264
Income tax receivables		4,174	2,560
Prepaid expenses		4,254	2,564
Current assets		**237,018**	**258,963**
Non-current financial assets	9	1,760	2,295
Property, plant and equipment	10	20,437	19,692
Intangible assets	11	53,808	56,061
Deferred tax assets	25	12,841	11,608
Non-current assets		**88,846**	**89,656**
Assets		**325,864**	**348,619**

Liabilities and equity

CHF 1,000	Notes	2008	2009
Current bank liabilities and derivatives	12	14,163	40,347
Trade accounts payable		11,635	9,486
Other accounts payable		16,383	11,046
Deferred revenue	13	25,569	19,170
Income tax payables		3,646	8,360
Accrued expenses		29,284	31,268
Current provisions	15	13,160	11,762
Current liabilities		**113,840**	**131,439**
Non-current bank loans and derivatives	12	37,167	854
Liability for post-employment benefits	14	5,882	6,889
Non-current provisions	15	2,032	2,598
Other non-current liabilities		412	–
Deferred tax liabilities	25	7,345	3,906
Non-current liabilities		**52,838**	**14,247**
Share capital		1,208	1,141
Capital reserve		12,872	14,022
Treasury shares		(97,050)	(55,531)
Retained earnings		260,338	263,258
Translation differences		(18,182)	(19,957)
Shareholders' equity	19	**159,186**	**202,933**
Liabilities and equity		**325,864**	**348,619**

Consolidated income statement

CHF 1,000	Notes	2008	2009
Sales	20	**396,042**	**391,910**
Cost of sales		(190,753)	(193,000)
Gross profit		**205,289**	**198,910**
Sales and marketing		(82,084)	(64,286)
Research and development	22	(41,869)	(39,893)
General and administration		(36,721)	(36,096)
Other operating income	23	817	952
Impairment goodwill		(14,241)	–
Operating profit [1]		**31,191**	**59,587**
Financial income		2,472	312
Finance cost		(1,502)	(2,264)
Foreign exchange gains		331	2,498
Financial result	24	***1,301***	***546***
Profit before taxes		**32,492**	**60,133**
Income taxes	25	(6,869)	(10,793)
Net profit		**25,623**	**49,340**
Basic earnings per share (CHF/share)	27	2.35	4.77
Diluted earnings per share (CHF/share)	27	2.33	4.75

[1] Operating profit 2008 before impairment: As disclosed in note 11.2, the operating profit 2008 includes impairment losses on goodwill (CHF 14.2 million) and other intangible assets (CHF 14.6 million). Operating profit before impairment charges amounts to CHF 60.1 million for the year 2008.

Consolidated statement of comprehensive income

CHF 1,000	2008	2009
Net profit	**25,623**	**49,340**
Translation differences	(5,234)	(1,775)
Other comprehensive income [2]	***(5,234)***	***(1,775)***
Total comprehensive income	**20,389**	**47,565**

[2] There were no income taxes and reclassification adjustments relating to components of other comprehensive income for the periods presented.

Consolidated statement of changes in shareholders' equity

CHF 1,000	Notes	Share capital	Capital reserve	Treasury reserve	Retained earnings	Translation differences	Total share-holders' equity
Shareholders' equity at January 1, 2008		6,643	14,191	(41,697)	238,455	(12,948)	204,644
Net profit		–	–	–	25,623	–	25,623
Translation differences		–	–	–	–	(5,234)	(5,234)
Total comprehensive income							***20,389***
Dividends paid		–	–	–	(5,001)	–	(5,001)
New shares issued upon exercise of employee stock options	19	2	219	–	–	–	221
Capital decrease in form of reduction of nominal value	19	(5,437)	507	–	–	–	(4,930)
Change in treasury shares (net)	19	–	(3,556)	(55,353)	–	–	(58,909)
Structured transaction with treasury shares	19	–	1,511	–	–	–	1,511
Share-based payments to employees	14	–	–	–	1,261	–	1,261
Shareholders' equity at December 31, 2008		**1,208**	**12,872**	**(97,050)**	**260,338**	**(18,182)**	**159,186**
Net profit		–	–	–	49,340	–	49,340
Translation differences		–	–	–	–	(1,775)	(1,775)
Total comprehensive income							***47,565***
Dividends paid		–	–	–	(9,681)	–	(9,681)
New shares issued upon exercise of employee stock options	19	3	1,415	–	–	–	1,418
Cancellation of treasury shares	19	(70)	–	38,437	(38,367)	–	–
Change in treasury shares (net)	19	–	(261)	3,082	–	–	2,821
Structured transaction with treasury shares	19	–	(4)	–	–	–	(4)
Share-based payments to employees	14	–	–	–	1,628	–	1,628
Shareholders' equity at December 31, 2009		**1,141**	**14,022**	**(55,531)**	**263,258**	**(19,957)**	**202,933**

Consolidated cash flow statement

CHF 1,000	Notes	2008	2009
Net profit		25,623	49,340
Adjustments for			
Depreciation and amortization (including impairment losses)	10, 11	40,098	9,148
Change in provisions and liability for post-employment benefits	14, 15	(290)	362
Interest income	24	(1,846)	(312)
Interest expenses	24	1,447	1,703
Income taxes	25	6,869	10,793
Other non-cash items		4,199	1,532
Change in working capital:			
Trade accounts receivable	7	(8,260)	11,432
Inventories	8	(3,228)	(702)
Trade accounts payable		2,448	(2,147)
Other changes in working capital (net)		6,320	(8,945)
Income taxes paid		(14,451)	(6,054)
Cash inflows from operating activities		**58,929**	**66,150**
Time deposits	6	–	(29,134)
Loans to employees	6, 9	–	(866)
Interest received		1,849	238
Purchase of property, plant and equipment	10	(5,551)	(6,765)
Proceeds from sales of property, plant and equipment	10	27	18
Purchase of intangible assets	11	(1,992)	(4,131)
Cash outflows from investing activities		**(5,667)**	**(40,640)**
New shares issued upon exercise of employee stock options	19	221	1,418
Capital decrease in form of reduction of nominal value	19	(4,930)	–
Dividends paid	19	(5,001)	(9,681)
Purchase of treasury shares	19	(55,353)	–
Proceeds from sales of treasury shares	19	–	1,939
Structured transaction with treasury shares	19	48	(4)
Change in current bank liabilities	12	1,753	(1,889)
Increase in bank loans	12	337	121
Repayment of bank loans	12	(4,229)	(8,279)
Interest paid		(1,450)	(1,682)
Cash outflows from financing activities		**(68,604)**	**(18,057)**
Translation differences		(2,855)	(672)
(Decrease)/increase in cash and cash equivalents		**(18,197)**	**6,781**
Cash and cash equivalents at January 1		102,850	84,653
Cash and cash equivalents at December 31		**84,653**	**91,434**
Cash and cash equivalents as per cash flow statement comprise:			
Cash and cash equivalents as per balance sheet	5	84,653	91,810
./. Bank overdrafts under bank pooling arrangements	12	–	(376)
= Cash and cash equivalents as per cash flow statement		**84,653**	**91,434**

Notes to the consolidated financial statements

1 Introduction

These financial statements are the consolidated financial statements of Tecan Group Ltd., a company registered in Switzerland, and its subsidiaries (together referred to as the 'Group') for the year ended December 31, 2009. The Group is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The Company specializes in the development, production and distribution of automation solutions for laboratories in the life sciences sector. With its subsidiary REMP, the Group is the market leader in automated laboratory storage and logistics systems. Its clients include pharmaceutical and biotechnology companies, university research departments, forensic and diagnostic laboratories. As an original equipment manufacturer, the Group is also a leader in developing and manufacturing OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the Company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

The consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2010. Final approval is subject to acceptance by the annual general meeting of shareholders on April 21, 2010.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value.

2.2 Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of these financial statements. If in the future such assumptions and estimates deviate from the actual circumstances, the original assumptions and estimates will be modified as appropriate in the year in which the circumstances change.

The valuation of the following material positions is based on critical accounting estimates and judgments:

2.2.1 Impairment test on goodwill and other intangible assets with indefinite useful life

The Group performed the annual impairment tests for goodwill and brand name 'REMP' in July 2009. The calculation of the recoverable amount of intangible assets requires the use of estimates and assumptions. The key assumptions are disclosed in note 11.

2.2.2 Capitalization of development costs

After the technical feasibility of in-house developed products has been demonstrated, the Group capitalizes the related development costs until the product is ready for market launch. However, there can be no guarantee that such products will complete the development phase or will be commercialized, or that market conditions will not change in the future, requiring a revision of management' s assessment of future cash flows related to those products. Such changes could lead to additional amortization and impairment charges. The Group has capitalized development costs in the amount of CHF 2.7 million as disclosed in note 11.

2.2.3 Income taxes

At December 31, 2009, the net asset for current income taxes was CHF 5.8 million and the net asset for deferred taxes was

CHF 7.7 million. Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Various internal and external factors may have favorable or unfavorable effects on the income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations (particularly in relation to the acceptance of intra-group transfer prices), and changes in overall levels of pre-tax earnings. Such changes could impact the assets and liabilities recognized in the balance sheet in future periods.

2.3 Introduction of new and amended accounting standards and interpretations

The accounting policies are consistent with those applied in the previous year, except for the introduction of the following new or amended standards and interpretations, effective as from January 1, 2009:

Standard/interpretation *
IFRIC 9 amended 'Embedded Derivatives' – Reassessment of Embedded Derivatives and IAS 39
IFRIC 13 'Customer Loyalty Programs'
IFRIC 15 'Agreements for the Construction of Real Estate'
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
IFRIC 18 'Transfers of assets from customers'
Improvements to IFRSs 2008
IFRS 2 amended 'Share-based Payment – Vesting Conditions and Cancellations'
IFRS 7 amended 'Financial Instruments: Disclosures' – Improving Disclosures about Financial Instruments
IFRS 8 'Operating Segments'
IAS 1 revised 'Presentation of Financial Statements'
IAS 23 revised 'Borrowing Costs'
IAS 32 amended 'Financial Instruments: Presentation' and IAS 1 amended 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation

* IAS = International Accounting Standard, IFRS = International Financial Reporting Standard, IFRIC = International Financial Reporting Interpretations Committee

2.3.1 *IFRS 8 'Operating segments'*

The introduction of IFRS 8 did not result in a change in composition of reportable segments. Note 20 was amended in order to reflect the enhanced disclosure requirements of this standard.

2.3.2 *IAS 23 revised 'Borrowing Costs'*

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed. This change in accounting policy was applied prospectively to qualifying assets for which the commencement date for capitalization was after January 1, 2009. During the reporting period, no asset qualified for capitalization of borrowing costs.

2.3.3 *Other changes*

The adoption of all other new and amended standards did not result in substantial changes to the Group's accounting policies.

2.4 New standards and interpretations not yet applied

The following new and revised standards and interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements:

Standard/interpretation *	Effective date for the Group
IFRIC 17 'Distributions of Non-cash Assets to Owners'	Reporting year 2010
Improvements to IFRSs 2009	Reporting year 2010
IFRS 2 amended 'Share-based payments' – Group Cash-settled Share-based Payment Transactions	Reporting year 2010
IFRS 3 revised 'Business Combinations'	Reporting year 2010
IAS 27 amended 'Consolidated and Separate Financial Statements'	Reporting year 2010
IAS 32 amended 'Financial Instruments: Presentation' – Classification of Rights Issues	Reporting year 2010
IAS 39 amended 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items	Reporting year 2010
IFRIC 14 amended 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – Prepayments of a Minimum Funding Requirement	Reporting year 2011
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	Reporting year 2011
IAS 24 revised 'Related Party Disclosures'	Reporting year 2011
IFRS 9 'Financial Instruments: Classification and Measurement'	Reporting year 2013

* IAS = International Accounting Standard, IFRS = International Financial Reporting Standard, IFRIC = International Financial Reporting Interpretations Committee

The changes are not expected to have a significant impact on the consolidated financial statements.

2.5 Change in presentation

In the cash flow statement, minor reclassifications have been made within the reconciliation of net profit to cash flow from operating activities.

2.6 Consolidation principles

Subsidiaries are those companies controlled, directly or indirectly, by Tecan Group Ltd., where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting power of a company. Newly acquired companies are consolidated from the date on which operating control is transferred to the Group, using the purchase method. The equity and net profit attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

The companies which are included in the consolidated financial statements are listed in the notes to the statutory financial statements of Tecan Group Ltd. Currently there are no minority interests.

Intra-group balances and transactions, and any unrealized profits arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.7 Foreign currency translation

All Group companies have identified their local currency as their functional currency. Transactions in other currencies are initially reported using the exchange rate at the date of the transaction. Gains and losses from the settlement of such transactions, as well as gains and losses on monetary assets and liabilities denominated in other currencies, are included in net profit.

Translation differences arising on intra-group loans that, in substance, are part of Tecan Group Ltd.'s net investment in a foreign entity are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Upon consolidation, assets and liabilities of Group companies using functional currencies other than Swiss francs (foreign entities) are translated into Swiss francs (presentation currency) using year-end exchange rates. Revenues, expenses and cash flows are translated at the average exchange rates for the year. Translation differences due to the changes in exchange rates between the beginning and the end of the year and the difference between net profits translated at the average and year-end exchange rates are recognized in other comprehensive income. On the disposal of a foreign entity, the identified cumulative currency translation differences relating to that foreign entity, recognized in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

2.8 Accounting and valuation principles

2.8.1 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and time deposits with a term of 3 months or less from the date of acquisitions. Bank overdrafts that are repayable on demand and form a integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.8.2 Trade and other accounts receivable

Trade and other accounts receivable are stated at their amortized cost less impairment losses. For short-term receivables, nominal value equals amortized cost.

The allowance account in respect of accounts receivable is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar assets.

2.8.3 Construction contracts

Some product categories of the business segments Liquid Handling and Sample Management are accounted for using the 'percentage of completion' method of IAS 11. The respective stage of completion is determined by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs. According to the stage of completion, pro rata sales are recognized in the income statement. IIn the balance sheet, the projects in progress – netted against customers' advances – are recognized as net assets (included in the position 'trade accounts receivable') or net liabilities (included in the position 'deferred revenue') from construction contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

2.8.4 Inventories

Inventories are stated at the lower of purchase or production cost and net realizable value. Production costs include raw materials, components and semi-finished products, direct production costs (internal labor and external services) and production overheads. The Group applies the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made for slow-moving items. Obsolete items are written off.

2.8.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see separate accounting policy). The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads and borrowing costs, if they are directly attributable to a qualifying asset.

Assets acquired under lease contracts, which provide the Group with substantially all benefits and risks of ownership are classified as finance leases and capitalized at amounts equivalent to the estimated present value of the underlying lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Leased assets are depreciated over their estimated useful lives. There were no items of property, plant and equipment under finance lease as per balance sheet date. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment from the date they are available for use. The estimated useful lives are as follows:

Land	not depreciated
Buildings	maximum 40 years
Leasehold improvements	shorter of useful life or lease term
Furniture and fixtures	4 – 8 years
Machines and motor vehicles	2 – 8 years
EDP equipment	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment (component approach).

Costs for repair and maintenance are recognized as an expense as incurred.

2.8.6 Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not capable of being individually identified and separately recognized. The cost of a business combination is determined in accordance with IFRS 3 and is equal to the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree plus any costs directly attributable to the business combination. At the acquisition date (date on which the Group effectively obtains control of the acquiree), the Group allocates the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date. Any difference between the cost of the business combination and the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognized is treated as goodwill. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized as described above exceeds the cost of the business combination, the Group reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognizes immediately in profit or loss any excess remaining after the reassessment.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. In accordance with IFRS 3, IAS 36 and IAS 38, the Group does not amortize goodwill. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that there might be an impairment.

2.8.7 Other intangible assets

Research costs – Research costs comprise expenditure for activities that are undertaken with the prospect of gaining new scientific or technical knowledge. Research costs are expensed as incurred.

Development costs – Expenditure on internal development activities, whereby the findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of materials and internal and external project costs as well as borrowing costs, if they are directly attributable to a qualifying asset.

Software – Expenditure on the implementation of software, including licenses and external consulting fees, is capitalized.

Intangible assets acquired in a business combination – All intangible assets (client relationships, technology, order backlog, brand name 'REMP') that are recognized applying the purchase price procedure in accordance with IFRS 3 are stated initially at fair value. The following valuation methods are used in order to determine the fair values at the acquisition date: multi-period excess earnings method, relief from royalty method and replacement cost approach.

Intangible assets are stated at cost less accumulated amortization (see below) and impairment losses (see separate accounting policy), except for the brand name 'REMP', which is stated at cost less accumulated impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are as follows:

Development costs	3 – 5 years
Software	3 – 5 years
Acquired client relationships	15 years
Acquired technology	5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The brand name 'REMP' was initially assessed and recognized as an intangible asset with an indefinite useful life. Therefore the asset is not subject to amortization, but is tested for impairment at least annually.

2.8.8 Impairment

The carrying amount of the Group's non-financial assets other than inventories, assets arising from construction contracts and deferred tax assets, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being the higher of its fair value less cost to sell and its value in use, is estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. An impairment loss is recognized in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reviewed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

2.8.9 Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

2.8.10 Trade and other accounts payable

Trade and other accounts payable are stated at their amortized cost, which equals the nominal amount for short-term payables.

2.8.11 Employee benefits – liability for post-employment benefits (IAS 19)

Within the Group, various post-employment benefit plans exist, which differ in their purpose and financing according to local needs. The liability for post-employment benefits relates to defined benefit pension plans and long-service leave benefits.

The Group's liability in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value for any plan assets is deducted. The calculation is performed by a professionally qualified independent actuary using the projected unit credit method.

Current service costs are charged to the income statement in the periods in which the services are rendered by the employees.

Actuarial gains and losses comprise:
- Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- The effects of changes in actuarial assumptions.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10 % of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the participating employees.

Past service costs attributable to plan amendments are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit pension plan, past service costs are recognized immediately.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, and any unrecognized actuarial losses and past service costs.

Long-service leave benefits: The method of accounting for liabilities concerning long-service leave benefits is similar to the one used for defined benefit pension plans.

2.8.12 Employee benefits - share-based payment (IFRS 2)

The Group introduced several equity- and cash-settled share-based compensation plans:

Equity-settled plans – The fair value of options granted is recognized as a personnel expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options (vesting period). The fair value of the options granted is measured using a binominal model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted by an expected labor turnover rate to reflect the expected number of options that will vest.

Cash-settled plans – The fair value of the amount payable to the employee is recognized as a personnel expense with a corresponding increase in provisions. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment (vesting period). The fair value of the stock appreciation rights (SARs) is measured based on a binominal model, taking into account the terms and conditions upon which the instruments were granted. The provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized in the financial result.

2.8.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value is material, provisions are determined by discounting the expected future cash flows.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data.

2.8.14 Derivatives

The Group uses derivative financial instruments to economically hedge certain exposures to foreign exchange rate risks. Hedge accounting is not applied. Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are also stated at fair value. Any resultant gain or loss is recognized directly in the income statement.

2.8.15 Treasury shares

When own shares are purchased, the amount of the consideration paid, including directly attributable costs and taxes, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. The consideration received when treasury shares are sold is recognized as a change in equity.

2.8.16 Sales – revenue recognition

Goods sold and services rendered – Sales are recorded net of sales taxes and discounts, at the time the risks and benefits of ownership are substantially transferred to customers. The recognition of income from products with material application and installation work requires a written acceptance by the customer. Revenue from service contracts is recognized in the income statement according to the proportion of the full contract period that has already elapsed at balance sheet date.

Construction contracts – As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the income statement in proportion to the stage of completion of the contract (see 'construction contracts').

2.8.17 Government research subsidies

The Group receives government grants for research activities, which are unconditional. They are recognized as income when received.

2.8.18 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity (transactions with shareholders), in which case it is recognized in other comprehensive income or equity.

Deferred taxes are provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets resulting from temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In addition, deferred taxes are provided on expected dividend distributions from subsidiary companies (non-recoverable withholding taxes).

3 Change in scope of consolidation (acquisitions)

There has been no change in the scope of consolidation for 2008 and 2009.

4 Foreign exchange rates

The following foreign exchange rates were used for the preparation of the consolidated financial statements:

		Balance sheet (Closing exchange rates)		Income statement (Average exchange rates Jan. to Dec.)	
CHF		31.12.2008	31.12.2009	2008	2009
EUR	1	1.49	1.48	1.58	1.51
GBP	1	1.56	1.67	1.98	1.70
SEK	100	13.65	14.47	16.45	14.23
USD	1	1.07	1.03	1.08	1.09
SGD	1	0.75	0.74	0.76	0.75
CNY	1	0.16	0.15	0.16	0.16
JPY	100	1.18	1.11	1.06	1.16

5 Cash and cash equivalents

CHF 1,000	2008	2009
Cash and cash equivalents		
denominated in CHF	31,885	42,481
denominated in EUR	27,071	24,693
denominated in GBP	4,747	1,940
denominated in USD	14,893	16,239
denominated in JPY	4,779	2,959
denominated in other currencies	1,278	3,498
Balance at December 31	**84,653**	**91,810**
Thereof time deposits with maturities less than three months from the date of acquisition	622	605
Effective interest rate	2.1 %	0.3 %

6 Current loans and derivatives

CHF 1,000	2008	2009
Time deposits with maturities more than three months from the date of acquisition		
denominated in CHF	–	25,000
denominated in USD	–	4,134
Subtotal time deposits	*–*	*29,134*
Current derivatives	5,241	2,473
Current loans to employees (see note 26)	–	867
Balance at December 31	**5,241**	**32,474**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 16.

7 Trade accounts receivable

CHF 1,000	2008	2009
Trade accounts receivable		
denominated in CHF	13,044	8,864
denominated in EUR	40,978	33,305
denominated in GBP	1,933	1,989
denominated in USD	28,810	25,629
denominated in JPY	2,294	2,875
denominated in other currencies	3,705	2,952
Subtotal trade accounts receivable	*90,764*	*75,614*
Allowance for doubtful accounts	(2,712)	(1,867)
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits (less recognized losses)	3,124	20,681
Amounts of advances received	(2,194)	(17,664)
Subtotal construction contracts in progress	*930*	*3,017*
Balance at December 31	**88,982**	**76,764**
Increase/(decrease)	8,260	(11,432)
Translation differences	(6,563)	(786)
Total change compared with previous year	*1,697*	*(12,218)*
Amount of contract revenue recognized as sales in the income statement relating to construction contracts	7,492	14,998

The maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region was:

CHF 1,000	2008	2009
Switzerland (domestic)	3,199	2,974
Euro-zone countries	34,458	31,781
Other European countries	10,685	4,188
North America	30,530	27,644
Asia	9,291	7,797
Other	2,601	1,230
Balance at December 31	**90,764**	**75,614**

The Group's most significant customer accounts for 5.9 % of the trade accounts receivable carrying amount at December 31, 2009 (December 31, 2008: 5.1 %).

The movement in the allowance for impairment in respect of trade accounts receivable during the year was as follows:

CHF 1,000	2008	2009
Individual impairment allowance account		
Balance at January 1	(1,792)	(2,478)
Change in impairment losses	(943)	777
Write-offs	112	94
Translation differences	145	30
Balance at December 31	**(2,478)**	**(1,577)**
Amount of trade accounts receivable with individual impairment (gross)	3,576	2,472
Collective impairment allowance account		
Balance at January 1	(323)	(234)
Change in impairment losses	77	(57)
Translation differences	12	1
Balance at December 31	**(234)**	**(290)**

The due dates of trade accounts receivable that are not individually impaired were:

	2008		2009	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	67,438	(82)	51,859	(43)
Past due 1–30 days	11,988	(16)	12,571	(36)
Past due 31–90 days	5,602	(6)	4,407	(3)
Past due 91–360 days	1,812	–	3,717	(43)
Past due more than one year	348	(130)	587	(165)
Balance at December 31	**87,188**	**(234)**	**73,141**	**(290)**

The Group did not experience any severe financial difficulties with its debtors in the past. The sum of all recognized final write-offs trade accounts receivable in 2008 and 2009 represents less than 1 % of sales.

8 Inventories

CHF 1,000	2008	2009
Raw materials, semi-finished and finished goods	45,213	44,368
Work in progress	2,776	3,401
Allowance for slow-moving inventories	(10,030)	(9,505)
Balance at December 31	**37,959**	**38,264**
Increase	3,228	702
Translation differences	(2,757)	(397)
Total change compared with previous year	*471*	*305*
Amount of inventories stated at fair value less costs to sell (CHF million)	5.4	6.9
Amount of write-offs due to slow-moving inventories charged to the income statement (CHF million)	2.9	1.3

9 Non-current financial assets

CHF 1,000	2008	2009
Non-current derivatives	–	535
Rent deposits	721	713
Non-current loans to employees (see note 26)	867	866
Other	172	181
Balance at December 31	**1,760**	**2,295**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 16.

10 Property, plant and equipment

CHF 1,000	Land & buildings	Leasehold improvements	Furniture & fittings	Machines & motor vehicles	EDP equipment	Total 2008
At cost						
Balance at January 1, 2008	7,969	7,940	10,850	19,407	23,632	69,798
Additions	39	69	590	2,207	2,646	5,551
Disposals	–	(354)	(415)	(731)	(4,637)	(6,137)
Transfer	–	11	(41)	2,010	23	2,003
Translation differences	–	(214)	(731)	(1,104)	(1,314)	(3,363)
Balance at December 31, 2008	**8,008**	**7,452**	**10,253**	**21,789**	**20,350**	**67,852**
Accumulated depreciation and impairment losses						
Balance at January 1, 2008	1,037	5,140	8,872	14,291	18,352	47,692
Annual depreciation	380	722	614	3,001	2,932	7,649
Disposals	–	(343)	(393)	(651)	(4,528)	(5,915)
Transfer	–	16	(40)	709	20	705
Translation differences	–	(140)	(621)	(832)	(1,123)	(2,716)
Balance at December 31, 2008	**1,417**	**5,395**	**8,432**	**16,518**	**15,653**	**47,415**
Net book value	**6,591**	**2,057**	**1,821**	**5,271**	**4,697**	**20,437**

CHF 1,000	Land & buildings	Leasehold improvements	Furniture & fittings	Machines & motor vehicles	EDP equipment	Total 2009
At cost						
Balance at January 1, 2009	8,008	7,452	10,253	21,789	20,350	67,852
Additions	–	122	361	4,448	1,834	6,765
Disposals	–	–	(233)	(1,322)	(1,189)	(2,744)
Transfer	–	–	–	–	–	–
Translation differences	–	(98)	(34)	(280)	(148)	(560)
Balance at December 31, 2009	**8,008**	**7,476**	**10,347**	**24,635**	**20,847**	**71,313**
Accumulated depreciation and impairment losses						
Balance at January 1, 2009	1,417	5,395	8,432	16,518	15,653	47,415
Annual depreciation	378	740	568	2,659	2,933	7,278
Disposals	–	–	(221)	(1,265)	(1,135)	(2,621)
Transfer	–	–	–	–	–	–
Translation differences	–	(83)	(30)	(213)	(125)	(451)
Balance at December 31, 2009	**1,795**	**6,052**	**8,749**	**17,699**	**17,326**	**51,621**
Net book value	**6,213**	**1,424**	**1,598**	**6,936**	**3,521**	**19,692**

There were no material purchase commitments as of year-end 2008 and 2009.

11 Intangible assets

11.1 Overview

CHF 1,000	Software	Acquired client relationships	Acquired technology	Brand name 'Remp'	Goodwill	Total 2008
At cost						
Balance at January 1, 2008	17,174	16,634	9,586	6,590	54,290	104,274
Additions	1,992	–	–	–	–	1,992
Disposals	–	–	–	–	–	–
Translation differences	–	–	–	–	(185)	(185)
Balance at December 31, 2008	**19,166**	**16,634**	**9,586**	**6,590**	**54,105**	**106,081**
Accumulated amortization and impairment losses						
Balance at January 1, 2008	13,390	2,772	2,972	690	–	19,824
Annual amortization	1,272	1,110	1,188	–	–	3,570
Impairment losses	–	10,452	1,586	2,600	14,241	28,879
Disposals	–	–	–	–	–	–
Translation differences	–	–	–	–	–	–
Balance at December 31, 2008	**14,662**	**14,334**	**5,746**	**3,290**	**14,241**	**52,273**
Net book value	**4,504**	**2,300**	**3,840**	**3,300**	**39,864**	**53,808**

CHF 1,000	Development costs	Software	Acquired client relationships	Acquired technology	Brand name 'Remp'	Goodwill	Total 2009
At cost							
Balance at January 1, 2009	–	19,166	16,634	9,586	6,590	54,105	106,081
Additions	2,702	1,429	–	–	–	–	4,131
Disposals	–	–	–	–	–	–	–
Translation differences	–	–	–	–	–	(8)	(8)
Balance at December 31, 2009	**2,702**	**20,595**	**16,634**	**9,586**	**6,590**	**54,097**	**110,204**
Accumulated amortization and impairment losses							
Balance at January 1, 2009	–	14,662	14,334	5,746	3,290	14,241	52,273
Annual amortization	–	725	200	945	–	–	1,870
Impairment losses	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Translation differences	–	–	–	–	–	–	–
Balance at December 31, 2009	**–**	**15,387**	**14,534**	**6,691**	**3,290**	**14,241**	**54,143**
Net book value	**2,702**	**5,208**	**2,100**	**2,895**	**3,300**	**39,856**	**56,061**

The brand name 'REMP' was initially assessed and recognized as an intangible asset with indefinite useful life. Circumstances still support an indefinite useful life assessment.

The amortization charge is recognized in the following line items of the income statement:

CHF 1,000	2008	2009
Cost of sales	–	–
Sales and marketing	1,110	200
Research and development	1,188	945
General and administration	1,272	725
Total amortization	**3,570**	**1,870**

11.2 Impairment tests and recognized impairment losses

11.2.1 Financial year 2009

The Group performed impairment tests on cash-generating units containing goodwill and other intangible assets with indefinite useful life in July 2009.

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit from the synergies of the corresponding business combination. Subsequently, the recoverable amount of the cash-generating unit (higher of fair value less costs to sell and value in use) is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the cash generating unit exceeds its recoverable amount. Value in use is normally assumed to be higher than the fair value less costs to sell; therefore, fair value less costs to sell is only investigated when value in use is lower than the carrying amount of the cash-generating unit.

Value in use is calculated according to the DCF-method. The cash flow projections are based on a five-year financial planning period. Cash flows beyond the five-year period are extrapolated applying the long-term estimated growth rates stated below. The expected growth in sales is based on external market studies and internal assessments prepared by management. Future cash flows are discounted using the weighted average cost of capital (WACC). The discount rates applied are pre-tax.

Key assumptions used for cash-generating units containing goodwill and other intangible assets with indefinite useful life are as follows:

Intangible asset Cash-generating unit	Method	Carrying amount (CHF 1,000)	Test date	Basis for recoverable amount	Pre-tax discount rate	Projection period	Long-term growth rate
Brand name 'REMP' Sample Management	Relief from royalty method (royalty rate of 1.0 %)	3,300	July 2009	Value in use	2008: 15.1 % 2009: 13.1 %	5 years	2008: 0.5 % 2009: 0.5 %
Goodwill Sample Management Sample Management	DCF-method	12,750	July 2009	Value in use	2008: 13.2 % 2009: 11.7 %	5 years	2008: 0.5 % 2009: 0.5 %
Goodwill Liquid Handling & Robotics Liquid Handling & Robotics	DCF-method	27,106	July 2009	Value in use	2008: 12.7 % 2009: 12.1 %	5 years	2008: 1.5 % 2009: 1.5 %

Based on the impairment tests 2009, there was no need for the recognition of any impairment, either on goodwill or on other intangible assets with indefinite useful life.

11.2.2 Financial year 2008

In 2008, the Group stopped the development project for a low temperature compact store. Together with below-budget sales in the business segment Sample Management, the stop of the aforementioned development project was a triggering event for impairment tests on separate intangible assets of Sample Management and for an additional impairment test on the cash-generating unit Sample Management containing goodwill (which corresponds to the business segment Sample Management). Furthermore, the impact of the financial and economic market situation on valuations at that time, e.g. higher market risk premiums, was taken into consideration.

Based on the impairment tests 2008, the Group recognized an impairment loss on goodwill Sample Management and on other intangible assets allocated to business segment Sample Management as follows:

CHF 1,000	Acquired client relationships	Acquired technology	Brand name 'Remp'	Goodwill	Total 2008
Carrying amount before impairment loss	12,752	5,426	5,900	26,991	
Impairment loss	**(10,452)**	**(1,586)**	**(2,600)**	**(14,241)**	**(28,879)**
Carrying amount after impairment loss	2,300	3,840	3,300	12,750	
Impairment loss was recognised in the following line items of the income statement:					
Sales and marketing	10,452	–	2,600	–	13,052
Research and development	–	1,586	–	–	1,586
Impairment goodwill	–	–	–	14,241	14,241
Total impairment loss	**10,452**	**1,586**	**2,600**	**14,241**	**28,879**

11.3 Sensitivity analysis of goodwill Sample Management

Amount of excess (+) / necessary impairment (–) in CHF million depending on changes in key assumptions:

Growth rate			
–0.5 %	12.9	3.3	–3.5
0.0 %	17.2	6.1	–1.6
0.5 %	22.7	9.4	0.6
Discount rate	9.7 %	11.7 %	13.7 %

Example: A potential decrease in growth rate from 0.5 % to – 0.5 % and a parallel increase in discount rate from 11.7 % to 13.7 % for the value-in-use calculation of cash-generating unit Sample Management would result in an impairment charge of CHF 3.5 million.

12 Bank liabilities and derivatives

CHF 1,000	Bank overdrafts under bank pooling arrangements	Other current bank liabilities	Current derivatives (see note 16)	Current maturities of non-current bank loans	Total current	Bank loans	Non-current derivatives (see note 16)	Total non-current
Balance at January 1, 2008	–	3,301	142	34,239	**37,682**	15,246		**15,246**
Increase / (decrease)	–	1,753	–	–	**1,753**	–		–
Change in fair value	–	–	223	–	**223**	–		**–**
Renewal of bank loans	–	–	–	(27,000)	**(27,000)**	27,000		**27,000**
Increase in bank loans	–	–	–	–	**–**	337		**337**
Repayment of bank loans	–	–	–	(4,229)	**(4,229)**	–		**–**
Transfer to current	–	–	–	5,292	**5,292**	(5,292)		**(5,292)**
Translation differences	–	468	–	(26)	**442**	(124)		**(124)**
Balance at December 31, 2008	**–**	**5,522**	**365**	**8,276**	**14,163**	**37,167**	**–**	**37,167**
Analysis by currency								
Denominated in CHF					9,905			36,000
Denominated in EUR					276			1,167
Denominated in USD					442			–
Denominated in JPY					3,540			–
Total					**14,163**			**37,167**
Analysis by interest rates								
Interest-free					442			–
Variable interest rates depending on LIBOR					1,905			–
Fixed interest rate:								
0 % – 2 %					3,540			–
2 % – 4 %					8,276			13,167
4 % – 6 %					–			24,000
Total					**14,163**			**37,167**

CHF 1,000	Bank overdrafts under bank pooling arrangements	Other current bank liabilities	Current derivatives (see note 16)	Current maturities of non-current bank loans	Total current	Bank loans	Non-current derivatives (see note 16)	Total non-current
Balance at January 1, 2009	–	5,522	365	8,276	**14,163**	37,167	–	**37,167**
Increase / (decrease)	376	(1,889)	–	–	**(1,513)**	–	–	–
Change in fair value	–	–	(365)	–	**(365)**	–	124	124
Increase in bank loans	–	–	–	–	**–**	121	–	**121**
Repayment of bank loans	–	–	–	(8,279)	**(8,279)**	–	–	**–**
Transfer to current	–	–	–	36,560	**36,560**	(36,560)	–	**(36,560)**
Translation differences	–	(212)	–	(7)	**(219)**	2	–	**2**
Balance at December 31, 2009	**376**	**3,421**	**–**	**36,550**	**40,347**	**730**	**124**	**854**
Analysis by currency								
Denominated in CHF					36,405			–
Denominated in EUR					550			730
Denominated in USD					62			124
Denominated in JPY					3,330			–
Total					**40,347**			**854**
Analysis by interest rates								
Interest-free					91			124
Variable interest rates depending on LIBOR					376			–
Fixed interest rate:								
0 % – 2 %					3,330			–
2 % – 4 %					12,550			730
4 % – 6 %					24,000			–
Total					**40,347**			**854**

In 2009 the average interest rate paid on bank loans was 3.5 % (2008: 3.0 %). There are covenants relating to equity ratio and debt-EBITDA-ratio, which have been fully satisfied throughout the year.

13 Deferred revenue

CHF 1,000	2008	2009
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	2,411	1,770
Deferred income related to service contracts	14,362	15,163
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits (less recognized losses)	(17,572)	(95)
Amount of advances received	26,368	2,332
Subtotal construction contracts in progress	*8,796*	*2,237*
Balance at December 31	**25,569**	**19,170**
Increase/(decrease)	6,428	(6,163)
Translation differences	(1,394)	(236)
Total change compared with previous year	*5,034*	*(6,399)*

14 Employee benefits

14.1 Number of employees

FTE*	2008	2009
Employees – year-end	1,116	1,122
Employees – average	1,110	1,122

* FTE = Full time equivalent

14.2 Personnel expenses

Personnel expenses include the following:

CHF 1,000	2008	2009
Salaries and wages	108,045	112,807
Social security	13,766	14,705
Post-employment benefits		
– defined contribution plans	1,410	1,159
– defined benefit plans	4,182	5,560
Share-based payment	1,261	1,628
Other personnel expenses	3,326	3,059
Total personnel expenses	**131,990**	**138,918**

14.3 Liability for post-employment benefits: defined benefit plans (IAS 19)

The liability for post-employment benefits relates to the following plans:

	2008	2009
Number of plans		
Funded plans	2	2
Unfunded plans	3	3
Number of people covered		
Participating employees	558	559
Retirees	3	3
Expected average remaining working lives of the participating employees	11.8	11.7

The amounts recognized in the balance sheet are as follows:

CHF 1,000	2008	2009
Present value of funded obligations	57,003	64,943
Fair value of plan assets	(54,923)	(57,804)
Subtotal	*2,080*	*7,139*
Present value of unfunded obligations	2,515	2,549
Unrecognized actuarial losses	(1,286)	(4,992)
Unrecognized past service costs	2,573	2,193
Liability at December 31	**5,882**	**6,889**

The amounts recognized in the income statement are as follows:

CHF 1,000	2008	2009
Current service costs	7,734	8,388
Employee contributions	(2,961)	(2,988)
Interest expense on obligation	1,939	2,163
Expected return on plan assets	(1,965)	(1,616)
Amortization of actuarial losses (gains)	6	(6)
Past service costs	(571)	(380)
Total, included in personnel expenses	**4,182**	**5,561**
Actual return on plan assets	1,345	900

Changes in the present value of the defined benefit obligation are as follows:

CHF 1,000	2008	2009
Balance at January 1	54,018	59,517
Plan amendments	2,377	–
Current service costs	7,734	8,388
Insurance premiums	(1,908)	(1,606)
Benefits paid	(2,593)	(3,905)
Interest expense on obligation	1,939	2,163
Actuarial (gains) / losses	(1,883)	2,980
Translation differences	(167)	(45)
Balance at December 31	**59,517**	**67,492**

Changes in the fair value of plan assets are as follows:

CHF 1,000	2008	2009
Balance at January 1	50,503	54,923
Employer contributions	4,615	4,504
Employee contributions	2,961	2,988
Insurance premiums	(1,908)	(1,606)
Benefits paid	(2,593)	(3,905)
Expected return on plan assets	1,965	1,616
Actuarial losses	(620)	(716)
Balance at December 31	**54,923**	**57,804**

The Group expects to contribute CHF 4.6 million to its defined benefit plans in 2010.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2008	2009
Equity securities	8.0 %	2.3 %
Debt securities	66.2 %	77.8 %
Real estate	9.7 %	10.2 %
Other	16.1 %	9.7 %
Total	**100.0 %**	**100.0 %**

There are neither own financial instruments of the Group nor any property occupied by the Group included in the plan assets.

Principal actuarial assumptions at balance sheet date (expressed as weighted averages):

	2008	2009
Discount rate at December 31	3.6 %	3.4 %
Expected return on plan assets at December 31	2.8 %	2.6 %
Future salary increases	1.9 %	1.9 %
Future pension increases	0.8 %	0.8 %

The expected return on plan assets is based on the investment strategy of the life insurance company.

History of experience adjustments:

CHF 1,000	2005	2006	2007	2008	2009
Defined benefit obligation	49,231	49,481	54,018	59,518	67,492
Plan assets	(39,206)	(42,320)	(50,503)	(54,923)	(57,804)
Deficit	*10,025*	*7,161*	*3,515*	*4,595*	*9,688*
Experience gains/(losses) on plan liabilities in %	0.0 %	–3.0 %	2.4 %	2.2 %	–2.3 %
Experience gains/(losses) on plan assets in %	2.0 %	–2.0 %	1.3 %	–1.1 %	–1.2 %

14.4 Share-based payment (IFRS 2)

14.4.1 Overview

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares and all stock appreciation rights (SARs) by cash payment:

Arrangement	Employees entitled / grant date	Number of instruments / exercise price	Vesting conditions	Contractual life	Expiry date
Plan 2002 Equity-settled	Options granted to all employees outside of USA on November 30, 2001	121,344 options CHF 99.00	One / two / three / four years of service for 25 % / 50 % / 75 % / 100 % of options	11 years	November 30, 2012
Plan 2002 Cash-settled	SARs granted to employees in the USA on November 30, 2001	53,512 SARs CHF 99.00	One / two / three / four years of service for 25% / 50% / 75% / 100% of SARs	11 years	November 30, 2012
Plan 2003 Equity-settled	Options granted to all employees outside of USA on November 30, 2002	350,188 options CHF 48.40	One / two / three / four years of service for 25 % / 50 % / 75 % / 100 % of options	11 years	November 30, 2013
Plan 2003 Cash-settled	SARs granted to employees in the USA on November 30, 2002	159,275 SARs CHF 48.40	One / two / three / four years of service for 25 % / 50 % / 75 % / 100 % of SARs	11 years	November 30, 2013
Plan 2007 B (base plan) Equity-settled	Options granted to members of Board of Directors, Executive Committee and management level 4 and 3 on November 30, 2006	27,762 options CHF 70.00	One / two / three years of service for 33 % / 33 % / 34 % of options	7 years	November 30, 2013
Plan 2007 P (performance plan) Equity-settled	Options granted to members of Executive Committee and management level 4 on November 30, 2006	20,837 options CHF 70.00	Three years of service plus earnings per share target plus comparison with peer basket of competitors	7 years	November 30, 2013
Plan 2008 B (base plan) Equity-settled	Options granted to members of Board of Directors, Executive Committee and management level 4 and 3 on December 5, 2007	41,735 options CHF 69.00	One / two / three years of service for 33 % / 33 % / 34 % of options	7 years	December 5, 2014
Plan 2008 P (performance plan) Equity-settled	Options granted to members of Executive Committee and management level 4 on December 5, 2007	32,703 options CHF 69.00	Three years of service plus earnings per share target plus comparison with peer basket of competitors	7 years	December 5, 2014
Plan 2009 B (base plan) Equity-settled	Options granted to members of Board of Directors, Executive Committee and management level 4 and 3 on December 8, 2008	81,180 options CHF 39.70	One / two / three years of service for 33 % / 33 % / 34 % of options	7 years	December 8, 2015
Plan 2009 P (performance plan) Equity-settled	Options granted to members of Executive Committee and management level 4 on December 8, 2008	76,465 options CHF 39.70	Three years of service plus earnings per share target plus comparison with peer basket of competitors	7 years	December 8, 2015
Plan 2010 Equity-settled	Options granted to members of Board of Directors, Executive Committee and management level 4 and 3 on November 23, 2009	63,492 options CHF 70.00	One / two / three years of service for 33 % / 33 % / 34 % of options	7 years	November 23, 2016

All share options grant the right to purchase one Tecan share per option. Based on the plans from 2002 and 2003, the employees from the US received stock appreciation rights (SARs) with the same treatment and the same conditions as share options. All outstanding options and SARs granted are covered by the conditional share capital. No plans were introduced in 2003, 2004 and 2005.

The number and weighted average exercise prices of share options and SARs are as follows:

	2008				2009			
	Weighted average exercise price (CHF)		Number		Weighted average exercise price (CHF)		Number	
	Options	SARs	Options	SARs	Options	SARs	Options	SARs
Balance at January 1	72.01	80.24	256,650	33,165	59.69	80.06	407,789	30,390
Granted	39.70	–	157,645	–	70.00	–	63,492	–
Exercised	48.40	48.40	(3,839)	(600)	49.24	48.40	(21,398)	(5,160)
Forfeited	70.02	–	(374)	–	59.65	–	(12,348)	–
Expired	80.91	91.67	(2,293)	(2,175)	71.67	99.00	(7,249)	(140)
Balance at December 31	**59.69**	**80.06**	**407,789**	**30,390**	**61.53**	**86.46**	**430,286**	**25,090**

The weighted average share price at the date of exercise was CHF 61.46 in 2008 and CHF 66.18 in 2009.

Outstanding share options and SARs at the end of the period in detail:

		2008				2009			
	Exercise price	Remaining contractual life (years)		Number		Remaining contractual life (years)		Number	
		Options	SARs	Options	SARs	Options	SARs	Options	SARs
Plan 2002	99.0	3.9	3.9	67,450	19,012	2.9	2.9	65,580	18,872
Plan 2003	48.4	4.9	4.9	60,603	11,378	3.9	3.9	53,528	6,218
Plan 2007 B	70.0	4.9	–	26,816	–	3.9	–	21,702	–
Plan 2007 P	70.0	4.9	–	20,837	–	3.9	–	17,265	–
Plan 2008 B	69.0	5.9	–	41,735	–	4.9	–	37,217	–
Plan 2008 P	69.0	5.9	–	32,703	–	4.9	–	28,807	–
Plan 2009 B	39.7	6.9	–	81,180	–	5.9	–	68,196	–
Plan 2009 P	39.7	6.9	–	76,465	–	5.9	–	74,499	–
Plan 2010	70.0	–	–	–	–	6.9	–	63,492	–
Balance at December 31		**5.7**	**4.3**	**407,789**	**30,390**	**5.0**	**3.1**	**430,286**	**25,090**
Exercisable at period-end				159,678	30,390			180,597	25,090

The total expenses relating to share-based payment transactions, recognized in the consolidated income statement, are calculated as follows:

14.4.2 Equity-settled share-based payment

The fair value of services received in return for share options granted is measured by reference to the share options vested multiplied by their fair value at grant date (measurement date). The estimate of the fair value is based on a binominal model. Changes in the fair value of the option after the grant date do not change the fair value of the services received.

Fair value of share options and key assumptions:

Grant	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate	Fair value
Plan 2003	CHF 48.40	CHF 48.40	38.00 %	11.0 years	0.84 %	2.83 %	CHF 23.37
Plan 2007 B	CHF 70.00	CHF 70.00	50.22 %	7.0 years	0.65 %	2.53 %	CHF 35.33
Plan 2007 P *	CHF 70.00	CHF 70.00	50.22 %	7.0 years	0.65 %	2.53 %	CHF 22.08
Plan 2008 B	CHF 69.00	CHF 69.00	40.27 %	7.0 years	0.64 %	3.05 %	CHF 29.00
Plan 2008 P *	CHF 69.00	CHF 69.00	40.27 %	7.0 years	0.64 %	3.05 %	CHF 18.13
Plan 2009 B	CHF 39.70	CHF 39.70	40.61 %	7.0 years	1.07 %	2.24 %	CHF 16.12
Plan 2009 P *	CHF 39.70	CHF 39.70	40.61 %	7.0 years	1.07 %	2.24 %	CHF 10.08
Plan 2010	CHF 70.00	CHF 70.00	43.30 %	7.0 years	1.22 %	2.14 %	CHF 29.42

* Including market condition 'comparison with peer basket'

14.4.3 Cash-settled share-based payment

The fair value of services received in return for the SARs granted are measured by reference to the SARs vested multiplied by their fair value at grant date (measurement date). The estimate of the fair value is based on a binominal model. Changes in the fair value of the SARs after the grant date have an impact on the provision for cash-settled share-based payment and are posted to the financial result.

Fair value of SARs and key assumptions:

	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate	Fair value
Grant date							
Plan 2002	CHF 99.00	CHF 99.00	38.00 %	11.0 years	1.00 %	3.55 %	**CHF 48.52**
Plan 2003	CHF 48.40	CHF 48.40	38.00 %	11.0 years	0.84 %	2.83 %	**CHF 23.37**
2008							
Plan 2002	CHF 39.00	CHF 99.00	41.13 %	3.9 years	1.17 %	1.61 %	**CHF 2.98**
Plan 2003	CHF 39.00	CHF 48.40	41.13 %	4.9 years	1.16 %	1.84 %	**CHF 10.92**
2009							
Plan 2002	CHF 78.00	CHF 99.00	43.13 %	2.9 years	1.18 %	1.15 %	**CHF 15.72**
Plan 2003	CHF 78.00	CHF 48.40	43.13 %	3.9 years	1.16 %	1.44 %	**CHF 35.75**

14.4.4 Total expenses recognized

CHF 1,000	2008	2009
Expenses arising from equity-settled plans (share options)	1,261	1,628
Expenses arising from cash-settled plans (SARs)	–	–
Total personnel expenses recognized with impact on operating profit	*1,261*	*1,628*
Effect of changes in the fair value of SARs with impact on the financial result	(626)	477
Total expenses	**635**	**2,105**

The provision for cash-settled share-based payment transactions amounts to CHF 0.5 million at December 31, 2009 (2008: CHF 0.2 million, see note 15).

15 Provisions

CHF 1,000	Cash-settled share-based payment transactions (see note 14)	Restructuring	Warranties & returns	WEEE *	Legal cases	Other	Total 2008
Balance at January 1, 2008	815	1,381	9,243	543	678	3,160	15,820
Provisions made	–	–	5,975	171	–	27	6,173
Provisions used	(9)	(335)	(2,283)	(18)	(190)	(67)	(2,902)
Provisions reversed	(626)	–	(2,109)	–	(220)	(153)	(3,108)
Transfer	–	–	–	–	–	(47)	(47)
Unwind of discounts	–	35	–	–	–	–	35
Translation differences	–	(117)	(485)	(72)	(18)	(87)	(779)
Balance at December 31, 2008	**180**	**964**	**10,341**	**624**	**250**	**2,833**	**15,192**
Thereof current	–	304	10,341	–	–	2,515	13,160
Thereof non-current	180	660	–	624	250	318	2,032

CHF 1,000	Cash-settled share-based payment transactions (see note 14)	Restructuring	Warranties & returns	WEEE *	Legal cases	Other	Total 2009
Balance at January 1, 2009	180	964	10,341	624	250	2,833	15,192
Provisions made	477	335	3,628	93	–	722	5,255
Provisions used	(127)	(316)	(3,367)	(3)	–	(82)	(3,895)
Provisions reversed	–	–	(1,620)	–	(250)	(122)	(1,992)
Transfer	–	–	–	–	–	(60)	(60)
Unwind of discounts	–	9	–	–	–	–	9
Translation differences	–	(5)	(96)	–	–	(48)	(149)
Balance at December 31, 2009	**530**	**987**	**8,886**	**714**	**–**	**3,243**	**14,360**
Thereof current	–	621	8,886	–	–	2,255	11,762
Thereof non-current	530	366	–	714	–	988	2,598

* WEEE = waste electrical and electronic equipment (directive 2002/96/EC)

The provisions for restructuring relate to the closing of the research and development site in Munich (2009: CHF 0.7 million and 2008: CHF 1.0 million) and the centralization of the European service in Austria (2009: CHF 0.3 and 2008: CHF 0 million). The provision includes an amount of CHF 0.4 million (2008: CHF 0.8 million), which covers the non-cancellable lease commitments concerning a factory building in Munich. The contract will expire in May 2011.

The position 'other' contains provisions to cover commitments relating to parts and material for discontinued products (2009: CHF 0.8 million and 2008: CHF 0.9 million), to controversial import duty positions (2009: CHF 1.0 million and 2008: CHF 1.1 million), to other long-term employee benefits (2009: CHF 0.9 million and 2008: CHF 0.2 million) and to several minor issues (2009: CHF 0.5 million and 2008: CHF 0.6 million).

16 Financial risk management (IFRS 7)

16.1 Introduction

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including fair value interest rate risk and cash flow interest rate risk, currency risk) and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors ('Treasury Policy'). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The 'Treasury Policy' provides principles for specific areas, such as credit risk, interest rate risk, foreign exchange risk, use of derivative financial instruments and investment of excess liquidity.

This note presents information about the Group's exposure to each of the risks arising from financial instruments and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

16.2 Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from cash and cash equivalents, time deposits and trade accounts receivable.

All domestic and international bank relationships are selected by CFO and Group Treasury. Only banks and financial institutions that are ranked in the top class of the respective country are accepted.

The credit risk with trade accounts receivable is limited, as the Group has numerous clients located in various geographical regions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. For the purpose of risk control, the customers are grouped as follows (risk groups): governmental organizations, listed public limited companies and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance or letters of credit; these limits are reviewed regularly (credit check).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. There are no commitments that could increase this exposure to more than the carrying amounts except for the derivative financial instrument on own shares (418,023 physically settled European-style call options with a strike of CHF 0.01) that is part of the sale of treasury shares ('structured transaction with treasury shares') disclosed in note 19.3. Due to its character, the equity instrument was recognized directly in equity. At year-end 2008 the Group was exposed to a credit risk in the amount of CHF 16.3 million in connection with the aforementioned instrument. The transaction was closed in 2009.

16.3 Market risks

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other prices will affect the Group's result or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

16.3.1 Interest rate risks

At the reporting date the Group held the following interest-bearing financial instruments: cash and cash equivalents, time deposits, rent deposits and bank liabilities. All cash and cash equivalents mature or reprise in the short-term, no longer than three months.

Borrowings mainly bear interest at fixed rates. Cash and cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the interest rate profile of the Group's interest-bearing financial liabilities, please refer to note 12.

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Group Treasury manages the interest rate risk in order to reduce the volatility of the financial result as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at variable or fixed interest rate, the Group Treasury focuses on an internal long-term benchmark interest rate and considers the amount of cash and cash equivalents held at variable interest rate. Currently the interest rate exposure is not hedged.

At December 31, 2009, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been CHF 0.3 million (2008: CHF 0.3 million) higher/lower, mainly as a result of cash positions held at variable rates.

16.3.2 Foreign currency risks

The Group incurs foreign currency risks on sales, purchases and borrowings denominated in a currency other than the functional currency of the respective subsidiaries. On a consolidated basis, the Group is also exposed to currency fluctuations between the Swiss Franc (CHF) and the functional currencies of its subsidiaries. The two major currencies giving rise to currency risks are Euros (EUR) and US Dollars (USD).

The Group centralizes its foreign currency exposure in a few locations only. The hedging policy of the Group is to cover the foreign currency exposure to a certain percentage of the operating activities (forecast sales and purchases). The Group uses forward exchange contracts, currency options and swaps to hedge its foreign currency risk on specific future foreign currency cash flows. These contracts have maturities of up to 18 months.

The Group does not hedge its net investment in foreign entities and the related foreign currency translation of local earnings.

The Group's exposure to foreign currency risk arising on financial instruments denominated in a currency different from the functional currency of the entity holding the instruments was as follows:

	2008				2009			
CHF 1,000	CHF	EUR	USD	Other	CHF	EUR	USD	Other
Cash and cash equivalents	–	14,096	5,787	4,543	–	7,308	3,873	2,428
Current loans	–	–	–	–	–	–	4,134	–
Trade accounts receivable *	–	3,114	2,300	1,930	7	2,488	1,615	861
Other accounts receivable *	–	–	–	–	–	–	–	–
Non-current financial assets	–	9	–	171	–	9	–	181
Current bank liabilities	–	–	–	–	–	–	(376)	(1)
Trade accounts payable	(13)	(1,398)	(324)	(5)	(65)	(1,418)	(609)	(14)
Other accounts payable *	–	–	–	–	–	–	–	–
Accrued expenses	–	(17)	(25)	(62)	–	49	(91)	(173)
Bank loans	–	–	–	–	–	–	–	–
Foreign currency forwards	–	1,433	2,498	247	–	–	2,551	274
Foreign currency options	–	–	698	–	–	–	59	–
Balance at December 31	**(13)**	**17,237**	**10,934**	**6,824**	**(58)**	**8,436**	**11,156**	**3,556**

* Excluding receivables and payables arising from POC, VAT/other non-income taxes and social security

At the end of December, if the CHF had moved against the USD and EUR with all other variables held constant, post-tax profit for the year would have been:

CHF 1,000	2008 higher/(lower)	2009 higher/(lower)
If CHF had weakened against EUR by 10 %	(524)	577
If CHF had strengthened against EUR by 10 %	22	(577)
If CHF had weakened against USD by 10 %	(3,622)	(3,582)
If CHF had strengthened against USD by 10 %	2,686	3,344

Foreign currency risks from financial instruments primarily relate to CHF/EUR and CHF/USD forwards and options.

The derivative financial instruments used as economic hedges of foreign currencies are summarized in the table below:

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within: Between 1 and 90 days	Due within: Between 91 and 360 days
Foreign currency forwards					
Sale EUR	1,433	–	20,115	2,980	17,135
Sale USD	2,864	(365)	42,800	9,630	33,170
Sale JPY	247	–	2,360	–	2,360
Foreign currency options					
Sale USD	*698*	–	*23,005*	*11,235*	*11,770*
Balance at December 31, 2008	**5,242**	**(365)**	**88,280**	**23,845**	**64,435**

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within: Between 1 and 90 days	Due within: Between 91 and 360 days	Due within: Between 1 and 2 years
Foreign currency forwards						
Sale USD	2,675	(124)	53,736	16,534	13,434	23,768
Sale JPY	274	–	6,661	–	2,220	4,441
Foreign currency options						
Sale USD	59	–	1,033	–	–	1,033
Balance at December 31, 2009	**3,008**	**(124)**	**61,430**	**16,534**	**15,654**	**29,242**

16.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Group Treasury manages the Group's liquidity to ensure sufficient liquidity to meet all liabilities when due, under both normal and stressed conditions, without facing unacceptable losses or risking damage to the Group's reputation.

It is the Group's target to have a cash reserve or committed credit line in the amount of 10% of its annual sales third budget centralized at Tecan Group Ltd. and Tecan Trading AG. Changes to this target are subject to the Board of Directors' approval. All cash in Tecan Group Ltd. and Tecan Trading AG which does not count against such a cash reserve is considered as excess liquidity. Excess liquidity can be invested in instruments such as time deposits, government and corporate bonds, shares of publicly listed companies and capital protected instruments.

The following are the contractual maturities of financial liabilities, including interest payments:

CHF 1,000	Carrying amount	Contractual cash flows	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities						
Current bank liabilities	13,798	14,010	5,880	8,130	–	–
Trade accounts payable	11,635	11,635	11,635	–	–	–
Other accounts payable *	–	–	–	–	–	–
Accrued expenses	29,284	29,285	17,345	11,940	–	–
Bank loans	37,167	39,143	322	991	37,830	–
Derivative financial liabilities						
Foreign currency forwards	365					
Outflow		11,770	2,140	9,630	–	–
Inflow		(11,292)	(2,045)	(9,247)	–	–
Balance at December 31, 2008	**92,249**	**94,551**	**35,277**	**21,444**	**37,830**	**–**

CHF 1,000	Carrying amount	Contractual cash flows	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities						
Current bank liabilities	40,347	41,007	4,129	36,878	–	–
Trade accounts payable	9,486	9,486	9,486	–	–	–
Other accounts payable *	123	123	123	–	–	–
Accrued expenses	31,268	31,268	14,396	16,872	–	–
Bank loans	730	747	7	7	733	–
Derivative financial liabilities						
Foreign currency forwards	124					
Outflow		9,301	–	–	9,301	–
Inflow		(9,095)	–	–	(9,095)	–
Balance at December 31, 2008	**82,078**	**82,837**	**28,141**	**53,757**	**939**	–

* Excluding payables arising from VAT/other non-income taxes and social security

Unused lines of credit amounting to CHF 36.2 million were available to the Group at December 31, 2009 (2008: CHF 36.5 million).

16.5 Fair values

The carrying amounts less impairment allowance of trade and other accounts receivable and trade and other accounts payable are assumed to approximate their fair values due to their short-term nature.

At year-end, the fair value of all bank loans amounted to CHF 37.6 million (2008: CHF 46.3 million) compared to a carrying amount of CHF 37.3 million (2008: CHF 45.4 million). The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method (fair value hierarchy):

Financial instrument	Fair value (CHF 1,000)		Level	Data source	Model
	2008	2009			
Currency forwards	4,179	2,825	Level 2	Bloomberg	(forward rate – (spot rate +/– forward points)) * amount in foreign currency
Currency options	698	59	Level 2	Bloomberg	Black-Sholes model

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset and liability
Level 3: Inputs for the asset or libaility that are not based on observable market data (unobservable)

There have been no transfers between the levels in 2009.

16.6 Carrying amounts of financial instruments by category

The following table shows the carrying amounts of financial instruments by category at the end of December:

CHF 1,000	2008	2009
Financial assets held for trading		
Derivatives	**5,241**	**3,008**
Loans and receivables		
Cash and cash equivalents	84,653	91,810
Current loans	–	30,001
Trade accounts receivable *	88,052	73,748
Other accounts receivable *	2,610	2,969
Non-current financial assets	1,760	1,760
Total	**177,075**	**200,288**
Financial liabilities held for trading		
Derivatives	365	124
Other financial liabilities measured at amortized cost		
Bank liabilities and loans	50,965	41,077
Trade accounts payable	11,635	9,486
Other accounts payable *	–	123
Accrued expenses	29,284	31,268
Total	**91,884**	**81,954**

* excluding receivables and payables arising from POC, VAT/other non-income taxes and social security

17 Rental and lease commitments

The commitments arising from operating leases are largely rental payments for buildings.

Commitments under non-cancellable operating leases:

CHF 1,000	2008	2009
Due date		
1st year	6,731	6,704
2nd year	5,782	3,270
3rd year	2,318	2,422
4th year	1,708	654
5th year	3	466
6th year or beyond	–	2,035
Balance at December 31	**16,542**	**15,551**

In financial year 2009, CHF 7.2 million were recognized as expenses for leases in the consolidated income statement (2008: CHF 7.5 million).

The Group did not enter into any finance lease contracts.

18 Contingent liabilities and encumbrance of assets

As of December 31, 2008 and 2009, the Group had no significant contingent liabilities to third parties, and none of the Group's assets were pledged, assigned or subject to retention of title, except for the following positions:

CHF 1,000	2008	2009
Pledged assets		
Cash and cash equivalent (bank pooling arrangement)	6,423	17,114
Shares of REMP AG, pledged to secure bank loans (amount of consolidated net assets)	33,459	34,285

19 Shareholders' equity

The changes in shareholders' equity are disclosed in the 'consolidated statement of changes in shareholders' equity'.

19.1 Dividends paid

CHF 1,000	2008	2009	2010 (proposed)
Number of shares eligible for dividend	11,113,372	10,757,195	
Dividends paid (CHF/share)	0.45	0.90	1.00
Number of shares eligible for payout	10,955,131	–	–
Payout in form of a nominal value reduction (CHF/share)	0.45	–	–

19.2 Movements in shares outstanding

Number (each share has a nominal value of CHF 0.10)	Shares issued	Treasury shares	Shares outstanding
Balance at January 1, 2008	12,078,381	(772,900)	11,305,481
Issue of new shares from conditional share capital (employee participation plan)	4,439	–	4,439
Purchase of treasury shares	–	(969,198)	(969,198)
Balance at December 31, 2008	**12,082,820**	**(1,742,098)**	**10,340,722**
Issue of new shares from conditional share capital (employee participation plan)	26,558	–	26,558
Purchase of treasury shares	–	–	–
Sale of treasury shares	–	36,100	36,100
Cancellation of treasury shares	(696,788)	696,788	–
Balance at December 31, 2009	**11,412,590**	**(1,009,210)**	**10,403,380**

19.3 Sale of treasury shares in 2008 ('structured transaction with treasury shares')

For tax reasons, the Group disposed of positions in its treasury shares that were built up prior to 2003. The Group sold these shares by means of an off-exchange block trade transaction to Credit Suisse in the previous year. In return, the Group received the right to get back the same number of shares on October 29, 2009, unless Credit Suisse exercised its right to keep the shares on October 29, 2009. In this case, Credit Suisse would have to compensate the Group with CHF 80.85 per share. Technically, this transaction resulted in a cash inflow of CHF 48,000 as per the date of the transaction and occurred in the form of sales and purchases of shares and two mutual call options. The details of the arrangement are as follows:

– The Group sold 418,023 treasury shares to Credit Suisse at CHF 53.90 per share. The shares were entitled to dividends.
– The Group purchased from Credit Suisse 418,023 physically settled European-style call options with a strike of CHF 0.01
– Credit Suisse purchased from the Group 418,023 physically settled European-style call options with a strike of CHF 80.85

For the purpose of preparing these consolidated financial statements, the legal sale of the treasury shares and the exchange of derivatives on own shares was shown as one transaction had no commercial substance of their own. In addition, the long call did not meet the definition of a derivative financial instrument according to IAS 39.9. Therefore the sale was considered as not yet having taken place. This resulted in the treasury shares remaining unchanged, which reflected the substance of the transaction.

In 2009, the Group exercised its call option by the end of October and all shares were transferred back in exchange for the strike price (CHF 4,000).

19.4 Conditional share capital reserved for the employee profit sharing program

Number (each share has a nominal value of CHF 0.10)	2008	2009
Balance at January 1	921,619	917,180
Employee share options exercised (see note 14)	(4,439)	(26,558)
Balance at December 31	**917,180**	**890,622**
Employee share options outstanding (see note 14)	438,179	455,376

19.5 Conditional and authorized share capital for the purpose of future business development

Number (each share has a nominal value of CHF 0.10)	2008	2009
Conditional share capital	1,800,000	1,800,000
Authorised share capital, expiring on April 23, 2010	2,400,000	2,400,000

19.6 Capital management

The Board's policy is to maintain a strong capital base in order to ensure investor, creditor and market confidence and to sustain future development of business. It is the Group's target to keep a minimum equity ratio of 30 %, which limits the level of borrowings. Changes to this target are subject to the Board of Directors' approval. In addition, all covenants relating to bank liabilities must be satisfied at any time.

The Board of Directors monitors both the earnings per share and the ability of the Group to undertake future business development. On May 13, 2008, the Group completed a share buyback program on the first trading line on the SIX Swiss Exchange. This program was initiated on January 9, 2007. During the course of the program, a total of 627,287 shares were repurchased.

As approved by the shareholders at the annual general meeting on April 23, 2008, the Group started a further share buyback program on a second trading line on the SIX Swiss Exchange on May 16, 2008. Under this program, a total of 696,788 shares were repurchased. These shares were cancelled in 2009 and the share capital reduced accordingly.

The level of dividend payments to shareholders shall be kept on a constant and ongoing level.

There were no changes in the Group's approach to capital management during the year.

20 Segment information

20.1 Segment information by business segments

According to IFRS 8 'Operating segments', the identification of the reportable operating segments must follow the management approach. Therefore, the external segment reporting is based on the internal organizational and management structure, as well as internal reports to the Chief Operating Decision Maker (CODM). The Group's CODM is the Board of Directors of Tecan Group Ltd. The operating segments are equivalent to the reportable segments. No operating segments have been aggregated.

The following reportable segments were identified:

– *Components & Detection:* The business segment includes the Group's business units that manufacture high-volume, mass-produced products. The Group's components business supplies manufacturers of laboratory instruments with essential OEM components such as precision pumps, valves, robotic arms and software. The detection business includes analytical devices such as microplate readers and microarray systems, which analyze reactions on a microtiter plate or a microarray very accurately, as well as washers, which perform the washing and separating operations of a test procedure. The detection instruments and washers may either be used as standalone instruments or fully integrated into the Group's liquid handling systems.
– *Liquid Handling & Robotics:* This business segment supplies automated laboratories with solutions for life science research and for forensic and diagnostic applications. These solutions include instruments, software packages and special application know-how, as well as consulting, service and consumables. They cover the entire workflow of a given application. Small and large liquid volumes can be pipetted separately and in parallel so that almost all laboratory procedures can be made efficient and safe.
– *Sample Management:* The sample management business develops and supplies advanced systems for storing chemical substances and biological samples. The products manage the storage and retrieval of hundreds, thousands or even millions of items at temperatures of +4°C, –20°C or as low as –80°C.

	Components & Detection		Liquid Handling & Robotics		Sample Management		Corporate / consolidation		Group	
CHF 1,000	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Sales third	100,638	106,632	265,551	249,616	29,853	35,662	–	–	396,042	391,910
Intersegment sales [1]	8,792	7,842	1,213	773	2,395	551	(12,400)	(9,166)	–	–
Total sales	**109,430**	**114,474**	**266,764**	**250,389**	**32,248**	**36,213**	**(12,400)**	**(9,166)**	**396,042**	**391,910**
Operating profit	**12,321**	**17,896**	**60,974**	**48,613**	**(34,235)**	**66**	**(7,869)**	**(6,988)**	**31,191**	**59,587**
Depreciation and amortization [2]	(2,964)	(2,719)	(5,072)	(4,447)	(3,183)	(1,982)	–	–	(11,219)	(9,148)
Impairment losses	–	–	–	–	(28,879)	–	–	–	(28,879)	–
Purchase of property, plant and equipment	1,459	2,372	3,905	3,889	187	504	–	–	5,551	6,765
Purchase of intangible assets	765	3,198	1,116	877	111	56	–	–	1,992	4,131
Segment assets	44,618	45,988	118,753	116,081	48,242	42,071	–	–	211,613	204,140
Unallocated assets [3]									114,251	144,479
Total assets									**325,864**	**348,619**

[1] Intersegment transactions are conducted at arm's length.
[2] No significant non-cash items other than depreciation of property, plant and equipment and amortization of intangible assets were incurred.
[3] Financial assets, current and deferred tax assets and all liabilities are not allocated to business segments.

	2008	2009
Reconciliation of reportable segment sales:		
Total sales for reportable segments	408,442	401,076
Elimination of intersegment sales	(12,400)	(9,166)
Total consolidated sales	**396,042**	**391,910**
Reconciliation of reportable segment profit:		
Total profit for reportable segments	39,060	66,575
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(7,869)	(6,988)
Financial result	1,301	546
Total consolidated profit before taxes	**32,492**	**60,133**

20.2 Entity-wide disclosures

Information about products and services:

CHF 1,000	2008	2009
Products	282,398	272,780
Services	113,644	119,130
Total sales to third parties	**396,042**	**391,910**

Sales by regions (by location of customers):

CHF 1,000	2008	2009
Switzerland	9,308	7,855
Other Europe	178,491	170,325
North America	146,872	154,111
Asia	46,913	46,910
Others	14,458	12,709
Total sales to third parties	**396,042**	**391,910**

Non-current assets by regions (by location of assets):

	Property, plant and equipment		Intangible assets	
CHF 1,000	2008	2009	2008	2009
Switzerland	12,509	12,767	52,086	54,347
Other Europe	4,408	4,020	1,722	1,714
United States	3,176	2,582	–	–
Asia	344	322	–	–
Total	**20,437**	**19,691**	**53,808**	**56,061**

Information about major customers

The Group has a large number of customers. There are no (reportable) revenues from individual customers that cumulatively exceed 10 % of total revenue.

21 Operating expenses by nature

CHF 1,000	2008	2009
Material costs	113,490	116,444
Personnel expenses	131,990	138,918
Depreciation of property, plant and equipment	7,649	7,278
Amortization of intangible assets	3,570	1,870
Impairment losses on intangible assets	28,879	–
Other operating income and expenses (net)	79,273	67,813
Total operating expenses	**364,851**	**332,323**

22 Research and development

CHF 1,000	2008	2009
External project costs	12,377	13,203
Internal costs	26,718	28,447
Amortization of intangible assets related to research and development	1,188	945
Impairment losses on intangible assets related to research and development	1,586	–
Capitalization of development costs	–	(2,702)
Total research and development (gross, according to income statement)	**41,869**	**39,893**
Government research subsidies	(818)	(658)
Total research and development (net)	41,051	39,235

Costs for research and the development of new products (gross) amounted to 10.6 % of sales (2007: 9.9 %).

23 Other operating income

CHF 1,000	2008	2009
Government research subsidies	818	658
Licence income	–	223
Other operating income (miscellaneous)	10	71
Other operating expense (miscellaneous)	(11)	–
Total other operating income	**817**	**952**

24 Financial result

CHF 1,000	2008	2009
Interest income	1,846	312
Fair value adjustments on cash-settled share-based payment plans	626	–
Finance income	*2,472*	*312*
Interest expenses	(1,447)	(1,703)
Fair value adjustments on cash-settled share-based payment plans	–	(477)
Other	(55)	(84)
Finance cost	*(1,502)*	*(2,264)*
Result from derivatives	7,093	2,010
Other foreign exchange (losses)/gains (net)	(6,762)	488
Foreign exchange gains	*331*	*2,498*
Total financial result	**1,301**	**546**

25 Income taxes

CHF 1,000	2008	2009
Current income taxes	9,417	10,434
Deferred taxes	(2,548)	359
Total income taxes	**6,869**	**10,793**

The income tax expense can be analyzed as follows:

CHF 1,000	2008	2009
Profit before taxes	32,492	60,133
Tax expense based on the Group's expected weighted average rate of 22.2 % (2008: 21.2 %)	*6,896*	*13,352*
Effect of impairment on goodwill/tax-deductible write-off of an investment in subsidiaries	1,115	(2,061)
Other non-deductible expenses and additional taxable income	2,812	417
Tax-free income and tax reductions	(4,810)	(1,869)
Change in recognition of tax losses	(52)	702
Unrecoverable withholding tax	574	(12)
Underprovided in prior years	263	170
Effect of tax rate change on opening deferred taxes	71	94
Tax expense reported	**6,869**	**10,793**

The expected tax rate of the Group is the weighted average tax rate obtained by applying the currently effective rate for each individual jurisdiction to its respective profit before taxes. As a result of changes in the country mix of the profit before taxes the Group's expected tax rate for 2009 increased to 22.2 %

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2008	Change 2009	2009
Receivables	1,105	(104)	1,001
Inventories	3,101	(610)	2,491
Property, plant and equipment	191	179	370
Intangible assets	(2,218)	37	(2,181)
Liabilities and accrued expenses	3,941	282	4,223
Provisions	2,393	(46)	2,347
Other	(4,014)	3,407	(607)
Total net deferred tax assets arising from temporary differences	*4,499*	*3,145*	*7,644*
Deferred taxes provided on expected dividends from subsidiaries	(1,079)	272	(807)
Potential tax benefits from tax loss carry-forwards	2,076	(1,211)	865
Total net deferred tax assets	**5,496**	**2,206**	**7,702**
Deferred taxes recognized in income statement	2,548		(359)
Deferred taxes recognized directly in equity	(2,279)		2,846
Translation differences	(460)		(281)
Total change compared with previous year	*(191)*		*2,206*

At year-end, temporary differences on inventories primarily related to income on intra-group sales eliminated for consolidation purposes. Deferred taxes recognized directly in equity and the change in position 'Other' are mainly due to transactions in treasury shares and derivatives on own shares.

Tax loss carry-forwards:

	Gross value of tax loss carry forwards not capitalized		Potential tax benefits	
CHF 1,000	2008	2009	2008	2009
Expiring in				
6th year or beyond			273	–
Unlimited			1,803	865
Total tax loss carry-forward capitalized			**2,076**	**865**
Expiring in				
Unlimited	1,261	3,291	420	1,097
Total tax loss carry-forward not capitalized	**1,261**	**3,291**	**420**	**1,097**
Total tax loss carry-forward			**2,496**	**1,962**

Deferred tax assets on loss carry-forwards are recognized only to the extent that it is probable that tax loss carry-forwards are available for set-off against future profits and future profits will be available to utilize the deferred tax assets.

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	2008	2009
Deferred tax assets	12,841	11,608
Deferred tax liabilities	(7,345)	(3,906)
Total (net)	**5,496**	**7,702**

26 Related parties

The Group has a related party relationship with its subsidiaries and with key management personnel (members of the Board of Directors and the Executive Committee).

The total compensation paid to the key management personnel was:

CHF 1,000	2008	2009
Short-term employee benefits	5,429	5,640
Post-employment benefits	516	460
Other long-term benefits *	347	697
Termination benefits	–	–
Share-based payment	560	742
Total compensation	**6,852**	**7,539**

* Long-term retention bonus accrued. Payment will be made three years after grant.

In 2009, members of management were offered the possibility to purchase American-type call options on Tecan shares (first part: 21,220 options with exercise price: CHF 41.40 and option life: 7 years/second part: 33,333 options with exercise price: CHF 63.00 and option life: 7 years) issued by a bank at market rates. On June 10, 2009 and October 29, 2009, the respective bank sold a total of 54,553 share options to the members of the Board of Directors (1,708), to the members of the Executive Committee (44,263) and to other employees (8,582). The number purchased by each individual was restricted. At the same time, the members of the Executive Committee who participated in this transaction received advance facilities from Tecan Group Ltd. to finance the purchase of these share options. The advance facilities in the form of interest-free and unsecured loans are part of a long-term retention bonus to mature in 2011 and 2012 respectively and are limited to two-thirds of the purchase price of the share options. One third was paid privately by the members of the Executive Committee. At December 31, 2009 these advance facilities amounted to CHF 1.5 million.

No options were bought by members of management in 2008 under this program.

For further details concerning compensation, ownership of shares and options and loans granted, please refer to notes 13 and 14 of the statutory financial statements of Tecan Group Ltd., the ultimate parent company. The information reported in this note and the information provided in the notes of the statutory financial statements may differ due to different recognition and valuation principles.

27 Earnings per share

The earnings per share are based on the consolidated profit of the Group and the average number of shares outstanding, excluding treasury shares.

	2008	2009
Number of shares issued	12,082,820	11,412,590
Number of treasury shares	1,742,098	1,009,210
Average number of shares outstanding (see note 19)	10,925,322	10,355,086
Basic earnings per share (CHF/share)	**2.35**	**4.77**
Average number of shares under option total	442,824	478,524
Average number of shares under option dilutive	232,304	216,034
Average exercise price	42.5	42.35
Number of shares that would have been issued at average market price for the year of CHF 49.12 (2008: CHF 58.46).	168,874	216,034
Adjustment for dilutive share options	63,430	29,762
Average number of shares outstanding after dilution	*10,988,752*	*10,384,848*
Diluted earnings per share (CHF/share)	**2.33**	**4.75**

28 Subsequent events

No events have occurred subsequent to the balance sheet date which would require adjustments to or disclosures in these consolidated financial statements.

29 Group risk management (disclosure according to Swiss law)

29.1 Introduction

Group risk management is a systematic assessment that addresses all kind of risks posing a potential threat to the business activities of the Group. It is the umbrella process for all other risk management activities throughout the Group. The risk assessment process is coordinated by the CFO, however, the ultimate responsibility is with the Board of Directors.

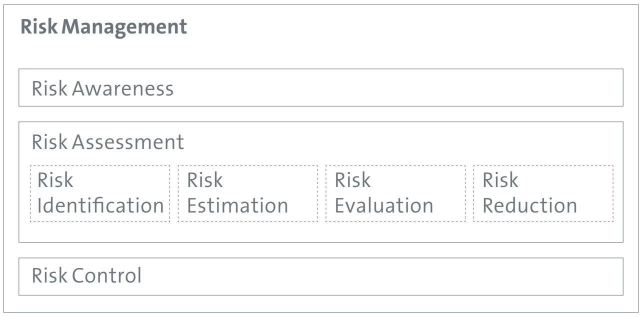
29.2 Risk assessment cycle

29.2.1 Initiation of risk assessment

The Group risk assessment cycle takes place every two years unless otherwise mandated by the Board of Directors or by a triggering event. A review during the intermediate year assesses need for action.

In a first step, the Board of Directors determines the risk acceptance and appoints the risk assessment team. The risk acceptance defines which combinations of risk characteristics (probability and severity of damage) are acceptable and which are not acceptable for the Group. This definition is the basis for the risk classification (see below). The risk assessment team includes representatives from various functions and disciplines such as Finance, Quality & Regulatory, Advisory & Support, Operations and Internal Audit.

The risk assessment team follows the process that is presented below:



29.2.2 Risk identification

The risk assessment team conducts annual workshops to identify potential risks in the following categories

- Hazard risk
- Financial risk
- Operational risk
- Strategic risk

Furthermore, the risk assessment team considers the results of all other risk management activities within the Group:

- Product-related risk management
- IT risk management
- Business risk management for significant business units and market units
- Strategy
- Mid-term plan
- Budget

29.2.3 Risk estimation and evaluation

Each of the identified risks is estimated and evaluated and finally classified to the following risk categories:

- *Acceptable risk:* No further risk reduction actions required.
- *Elevated risk:* Further risk reduction actions recommended. Requires justification and approval by CFO if no further measures are taken.
- *Unacceptable risk:* Further risk reduction actions strongly recommended. Requires justification and approval by the Board of Directors if no further measures are taken.

29.2.4 Risk reduction, risk report and approval

Risk reduction measures must be investigated and implemented for risks that are elevated or unacceptable, unless the risks are explicitly accepted by the risk assessment team.

As a result, the risk assessment team prepares a risk summary report containing all significant risks and measures taken. The final status of the risk assessment is reported to the Executive Management. The Board of Directors finalizes the risk assessment cycle with its approval. Risks remaining unacceptable must each be approved individually.

29.2.5 Risk control

Risk management is a dynamic process and forms a part of all planning and other activities of the Group. Within the process of ongoing risk control, members of the risk assessment team continuously collect information about risk factors and risk-related information. If any new potentially elevated or unacceptable risk arises, it is brought immediately to the attention of the CFO.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of Tecan Group Ltd., Männedorf

As statutory auditor, we have audited the consolidated financial statements of Tecan Group Ltd., presented on pages 47 to 89, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes for the year ended December 31, 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards, as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA), and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Lukas Marty
Licensed Audit Expert
Auditor in Charge

Stefan Dürmüller
Licensed Audit Expert

Zurich, March 2, 2010

Balance sheet of Tecan Group Ltd. at December 31

Assets

CHF 1,000	Notes	2008	2009
Cash and cash equivalents		5,086	19,185
Current loans	3	447	26,222
Other accounts receivable from third parties		605	370
Other accounts receivable from Group companies		6,510	6,141
Prepaid expenses		145	238
Current assets		**12,793**	**52,156**
Investments in subsidiaries	2	151,557	125,661
Non-current loans	3	17,539	9,592
Treasury shares	4	51,639	62,777
Derivatives on own shares	4	16,303	–
Property, plant and equipment		323	309
Non-current assets		**237,361**	**198,339**
Assets		**250,154**	**250,495**

Liabilities and equity

CHF 1,000	Notes	2008	2009
Current bank liabilities		9,904	36,000
Other liabilities to third parties		2,543	315
Other liabilities to Group companies		407	635
Provision for general business risks	5	30,000	30,000
Other current provisions		250	–
Current tax liabilities		–	71
Accrued expenses		4,232	4,027
Current liabilities		**47,336**	**71,048**
Bank loans		36,000	–
Non-current loans from Group companies		2,100	2,100
Non-current provisions		–	145
Non-current liabilities		**38,100**	**2,245**
Share capital		1,208	1,141
Legal reserves		124,236	82,721
Retained earnings		39,274	93,340
Shareholders' equity	6	**164,718**	**177,202**
Liabilities and equity		**250,154**	**250,495**

Income statement of Tecan Group Ltd.

CHF 1,000	Notes	2008	2009
Management fees from Group companies		15,087	13,263
Other income		1,821	636
Dividend income from Group companies		43,368	49,461
Interest income from third parties		1,120	790
Interest income from Group companies		1,823	1,038
Other financial income		7,476	25,088
Income		**70,695**	**90,276**
Personnel expenses		(7,156)	(7,697)
Depreciation of property, plant and equipment		(113)	(133)
Change in provision for general business risks	5	(30,000)	–
Other expenses		(8,167)	(4,502)
Interest expenses to third parties		(2,166)	(1,554)
Interest expenses to Group companies		(196)	(52)
Impairment on investment REMP AG		–	(25,896)
Other financial expenses		(37,076)	(2,632)
Expenses		**(84,874)**	**(42,466)**
(Loss)/profit before taxes		**(14,179)**	**47,810**
Income taxes		6	(330)
Net (loss)/profit		**(14,173)**	**47,480**

Notes to the financial statements of Tecan Group Ltd.

1 Reporting basis

The Tecan Group Ltd. financial statements are prepared in compliance with the Swiss Code of Obligations. They are a supplement to the consolidated financial statements (pages 47 through 89) prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the Tecan Group Ltd. financial statements (pages 91 through 101) relates to the ultimate parent company alone. The retained earnings reported in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the annual general meeting of shareholders.

2 Investments in subsidiaries

2.1 Overview (direct and indirect)

Company	Domicile	Currency	Share capital (LC 1,000)	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	CHF	5,000	R/P
Tecan Trading AG	Männedorf/Zurich (CH)	CHF	300	S/D
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	CHF	250	D
REMP AG	Oberdiessbach/Bern (CH)	CHF	4,000	R/P/D
Tecan Austria GmbH	Grödig/Salzburg (AT)	EUR	1,460	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	EUR	35	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	EUR	35	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	EUR	25	S
– Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	EUR	51	D
– Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	EUR	103	R
Tecan Benelux B.V.B.A.	Mechelen (BE)	EUR	137	D
Tecan France S.A.S.	Lyon (FR)	EUR	2,760	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	EUR	30	D
Tecan Italia S.r.l.	Milano (IT)	EUR	77	D
Tecan UK Ltd.	Reading (GB)	GBP	500	D
Tecan Nordic AB	Mölndal/Gothenburg (SE)	SEK	100	D
Tecan US Group, Inc.	Raleigh-Durham, NC (US)	USD	1,500	S
– Tecan US, Inc.	Raleigh-Durham, NC (US)	USD	400	D
– Tecan Systems, Inc.	San Jose, CA (US)	USD	26	R/P
Tecan Asia (Pte.) Ltd.	Singapore (SG)	SGD	800	D
Tecan (Shanghai) Trading Co., Ltd.	Shanghai (CN)	CNY	3,417	D
Tecan Japan Co., Ltd.	Tokyo (JP)	JPY	125,000	D

S = services, holding functions
R = research and development
P = production
D = distribution

All subsidiaries were 100 % owned as of December 31, 2008 and 2009.

2.2 Change in investments

Tecan (Shanghai) Trading Co., Ltd. was founded in 2008. The new offices in Shanghai were opened at the end of October 2008.

3 Loans

3.1 Current loans

CHF 1,000	2008	2009
Time deposits	–	25,000
Current loans to Group companies	447	355
Current loans to employees (see note 13.4)	–	867
Balance at December 31	**447**	**26,222**

3.2 Non-current loans

CHF 1,000	2008	2009
Non-current loans to Group companies	15,182	7,984
Non-current loans to Group companies subordinated	1,490	742
Non-current loans to employees (see note 13.4)	867	866
Balance at December 31	**17,539**	**9,592**

4 Treasury shares and derivatives on own shares

4.1 Treasury shares

CHF 1,000	2008	2009
Treasury shares	81,995	62,777
Allowance	(30,356)	–
Balance at December 31	**51,639**	**62,777**

Number (each share has a nominal value of CHF 0.10)	2008	2009
Balance at January 1	772,900	1,324,075
Purchase of treasury shares	969,198	418,023
Sale of treasury shares	(418,023)	(36,100)
Cancellation of shares for the purpose of capital reduction	–	(696,788)
Balance at December 31	**1,324,075**	**1,009,210**
Average price of shares purchased, CHF	57.11	53.35
Average price of shares sold, CHF	36.01	53.71

For tax reasons, the Company disposed of positions in its treasury shares that were built up prior to 2003. The Company sold 418,023 shares by means of an off-exchange block trade transaction to Credit Suisse in the previous year. In return, the Company received the right to get back the same number of shares on October 29, 2009, unless Credit Suisse exercised its right to keep the shares on October 29, 2009. In this case, Credit Suisse would have had to compensate the Company with CHF 80.85 per share. Technically, this transaction resulted in a cash inflow of CHF 48,000 as per the date of the transaction and occurred in the form of sales and purchases of shares and two mutual call options (see note 4.2). In 2009, the Company exercised its call option by the end of October and all shares were transferred back in exchange for the strike price (CHF 4,000).

At the annual general meeting 2009, the shareholders agreed to the proposed cancellation of 696,788 repurchased shares, which led to a capital reduction of CHF 27.2 million.

4.2 Derivatives on own shares

CHF 1,000	2008	2009
Purchased call option on own shares (418,023 physically settled European-style call options with a strike of CHF 0.01)	22,422	–
Written call option on own shares (418,023 physically settled European-style call options with a strike of CHF 80.85)	(125)	–
Allowance	(5,994)	–
Balance at December 31	**16,303**	**–**

Based on the substance of the transaction, the two derivatives on own shares were considered as one transaction and valued at the lower of purchase price or fair value of the underlying share.

5 Provision for general business risks

A provision for general business risks relating to investments in subsidiaries and loans to subsidiaries was established.

6 Shareholders' equity

6.1 Changes in shareholder's equity

		Legal reserves			
CHF 1,000	Share capital	General reserve	Reserve for treasury shares (see note 4)	Retained earnings	Total shareholders' equity
Shareholders' equity at January 1, 2008	6,643	19,944	41,697	120,261	188,545
Net loss	–	–	–	(14,173)	(14,173)
Dividends paid	–	–	–	(5,001)	(5,001)
Capital decrease in form of reduction of nominal value	(5,437)	–	–	507	(4,930)
New shares issued upon exercise of employee stock options	2	–	–	275	277
Change in reserve for treasury shares	–	–	62,595	(62,595)	–
Shareholders' equity at December 31, 2008	**1,208**	**19,944**	**104,292**	**39,274**	**164,718**
Net profit	–	–	–	47,480	47,480
Dividends paid	–	–	–	(9,681)	(9,681)
Cancellation of treasury shares (see note 4.1)	(70)	–	(38,437)	11,332	(27,175)
New shares issued upon exercise of employee stock options	3	–	–	1,857	1,860
Change in reserve for treasury shares	–	–	(3,078)	3,078	–
Shareholders' equity at December 31, 2009	**1,141**	**19,944**	**62,777**	**93,340**	**177,202**

The Company's share capital is CHF 1,141,259, consisting of 11,412,590 registered shares with a nominal value of CHF 0.10 each (2008: share capital of 1,208,282 consisting of 12,082,820 registered shares with a nominal value of CHF 0.10 each). In 2008, the annual general meeting of shareholders approved a payout of CHF 0.45 in the form of a reduction of the nominal value of each share from CHF 0.55 to CHF 0.10.

6.2 Conditional and authorized share capital

In 1997, conditional share capital of CHF 1,300,000 reserved for an employee profit sharing program was adopted. The conditional share capital consists of 1,300,000 registered shares with a nominal value of CHF 1.00 each.Since 1999, several employee stock option plans have been introduced based on this conditional capital. At December 31, 2009, the conditional share capital amounted to CHF 89,062, consisting of 890,622 registered shares with a nominal value of 0.10 each (2008: CHF 91,718 consisting of 917,180 registered shares with a nominal value of CHF 0.10 each) and 455,376 options not yet exercised were outstanding in connection with the employee stock option plans (2008: 438,179 options).

On April 26, 2006 and on April 23, 2008, the annual general meeting of shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2008	2009
Conditional share capital		
Reserved for employee stock option plans		
Number	917,180	890,622
CHF	91,718	89,062
Reserved for future business development		
Number	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Reserved for future business development (expiring on April 23, 2010)		
Number	2,400,000	2,400,000
CHF	240,000	240,000

6.3 Important shareholders

The Company has knowledge of the following important shareholders with shareholdings in excess of 3 % of the issued share capital at December 31:

	2008	2009
Chase Nominees Ltd., London (GB)	12.8 %	13.6 %
Fidelity Management & Research Company, Boston (US)	11.2 %	10.0 %
Tecan Group Ltd., Männedorf (CH)	11.0 %	8.8 %
Long positions (call options)	*3.5 %*	–
Short positions (call options)	*–3.5 %*	–
TIAA-CREF Investment Management LLCC, New York (US)	4.9 %	5.7 %
UBS Fund Management (Switzerland) AG, Basel (CH)	5.3 %	5.6 %
BlackRock Inc., New York (US)	< 3.0 %	5.2 %
Bellevue Funds SICAV, Luxemburg (LU)	< 3.0 %	3.8 %
The Capital Group Companies, Inc., Los Angeles (US)	3.0 %	3.2 %
SUVA, Schweizerische Versicherungsgesellschaft, Lucerne (CH)	< 3.0 %	3.2 %
BB Medtech AG, Schaffhausen (CH)	10.0 %	< 3.0 %
FIL Fidelity International Ltd., Hamilton (BM)	3.8 %	< 3.0 %
Credit Suisse Group, Zürich (CH)	0.6 %	< 3.0 %
Long positions (call options)	*3.5 %*	–

7 Guarantees in favor of third parties

The total amount of guarantees in favor of its subsidiaries was CHF 47.4 million at December 31, 2009 (2008 CHF 47.9 million). In addition, an unlimited guarantee in favor of the German subsidiary (Tecan Deutschland GmbH) in the context of an unused line of credit (CHF 3.7 million) was outstanding.

8 Pledged assets

At December 31, the following assets were pledged, assigned for the securing of own liabilities, or subject to retention of title:

CHF 1,000	2008	2009
Pledged assets		
Cash and cash equivalents (bank pooling arrangement)	4,768	9,818
Participation REMP AG	98,995	73,099

9 Liabilities from leasing contracts not included in the balance sheet

The total amount of liabilities from leasing contracts not included in the balance sheet was CHF 0.1 million at December 31, 2009 (2008: CHF 0.0 million).

10 Fire insurance value of property, plant and equipment

The insured value of property, plant and equipment in the event of fire was CHF 0.8 million (2008: CHF 1.5 million).

11 Liabilities to pension funds

At December 31, 2009, as in the prior year, no liabilities to pension funds existed.

12 Disclosures concerning the conduction of a risk assessment

See note 29 of the consolidated financial statements.

13 Compensation and loans granted to members of the Board of Directors and Executive Committee

13.1 Compensation to the Board of Directors

CHF 1,000	Year	Fixed fee	Committee fee	Fixed salary	Total cash compen-sation	Social benefits[1]	Options granted (number)[2]	Value of options[3]	Total compen-sation
Rolf Classon (Chairman, since April 2009)	2008	–	–	–	–	–	–	–	–
	2009	138	3		141	8	1,700	45	194
Heinrich Fischer (Vice Chairman)	2008	85	25	–	110	7	1,551	22	139
	2009	85	15		100	6	850	22	128
Dominique F. Baly (since April 2009)	2008	–	–	–	–	–	–	–	–
	2009	50	13	–	63	4	850	22	89
Dr. Lukas Braunschweiler (since April 2009)	2008	–	–	–	–	–	–	–	–
	2009	75	15	–	90	5	–	–	95
Dr. Jürg Meier	2008	75	20	–	95	5	1,551	22	122
	2009	75	10	–	85	5	850	22	112
Prof. Dr. Peter Ryser[4]	2008	75	10	249	334	74	1,551	22	430
	2009	75	10	–	85	5	850	22	112
Gérard Vaillant	2008	85	25	–	110	6	–	–	116
	2009	75	10	–	85	5	850	22	112
Mike Baronian (until April 2009)	2008	150	50	–	200	14	3,102	45	259
	2009	50	3	–	53	3	–	–	56
Prof. Dr. Armin Seiler (until April 2009)	2008	75	49	–	124	6	1,551	22	152
	2009	25	3	–	28	2	–	–	30
Cleto de Pedrini (until April 2009)	2008	75	15	–	90	5	1,551	22	117
	2009	25	5	–	30	2	–	–	32
Total	**2008**	**620**	**194**	**249**	**1,063**	**117**	**10,857**	**155**	**1,335**
	2009	**673**	**87**	**–**	**760**	**45**	**5,950**	**155**	**960**

1 Employer's contribution to social security including social security on stock options exercised during the reporting period and contributions to post-employment benefit plans (Prof. Dr. Peter Ryser)
2 Vesting condition: one / two / three years of service for 33 % / 33 % / 34 % of options
3 Formula for 2008: Options granted in 2008 * fair value at grant (CHF 16.12) * [1 – estimated labor turnover rate (10%)] and formula for 2009: Options granted in 2009 * fair value at grant (CHF 29.42) * [1 – estimated labor turnover rate (10 %)]
4 Operative activity limited in time for research and development (2008)

13.2 Compensation to the Executive Committee

CHF 1,000	Year	Fixed salary	Variable salary[1]	Long-term retention bonus[2]	Taxable fringe benefits	Total cash compen-sation	Social benefits[3]	Options granted (number)[4]	Value of options[5]	Total compen-sation
Thomas Bachmann (CEO)	2008	400	400	120	8	928	168	8,446	122	1,218
	2009	500	330	240	9	1,079	180	3,399	90	1,349
Dr. Rudolf Eugster (CFO)	2008	335	144	60	–	539	98	7,069	102	739
	2009	345	148	180	–	673	108	2,345	62	843
Other members of the Executive Committee[6,7]	2008	1,986	721	390	27	3,124	536	47,554	690	4,350
	2009	2,258	892	600	39	3,789	588	12,411	329	4,706
Total	**2008**	**2,721**	**1,265**	**570**	**35**	**4,591**	**802**	**63,069**	**914**	**6,307**
	2009	**3,103**	**1,370**	**1,020**	**48**	**5,541**	**876**	**18,155**	**481**	**6,898**

1 Payment will be made in following year
2 Formula for 2008: long-term retention bonus granted in 2008 * [1 – estimated labor turnover rate (10%)] and formula for 2009: long-term retention bonus granted in 2009 * [1 – estimated labor turnover rate (10%)]. Payments will be made in 2011 and 2012 respectively, if employment continues until then (see note 13.4)
3 Employer's contribution to social security, including social security on stock options exercised during the reporting period, and contributions to post-employment benefit plans
4 Vesting condition for base plan (2008: 18,549 options and 2009: 18,155 options): one / two / three years of service for 33 % / 33 % / 34 % of options; vesting conditions for performance plan (2008: 44'520 options and 2009: 0 options): three years of service plus earnings per share target plus comparison with peer basket of competitors
5 Formula for 2008: Options granted in 2008 * fair value at grant (CHF 16.12) * [1 – estimated labor turnover rate (10%)] and formula for 2009: Options granted in 2009 * fair value at grant (CHF 29.42) * [1 – estimated labor turnover rate (10 %)]
6 2008: Total 11 members, including two members who left and three members who joined the Executive Committee during the year
7 2009: Total 9 members, including one member who left the Executive Committee during the year

No termination benefits were paid in 2008 and 2009.

13.3 Loans granted to the Executive Committee

The following loans were granted to the management at year-end (see note 13.4):

CHF 1,000	2008	2009
Thomas Bachmann (CEO)	267	533
Dr. Rudolf Eugster (CFO)	133	400
Other members (4) of the Executive Committee	400	600
Balance at December 31	**800**	**1,533**

13.4 Others

In 2009, members of management were offered the possibility to purchase American-type call options on Tecan shares (first part: 21,220 options with exercise price: CHF 41.40 and option life: 7 years/second part: 33,333 options with exercise price: CHF 63.00 and option life: 7 years) issued by a bank at market rates. On June 10, 2009 and October 29, 2009, the respective bank sold a total of 54,553 share options to the members of the Board of Directors (1,708), to the members of the Executive Committee (44,263) and to other employees (8,582). The number purchased by each individual was restricted. At the same time, the members of the Executive Committee who participated in this transaction received advance facilities from Tecan Group Ltd. to finance the purchase of these share options. The advance facilities in the form of interest-free and unsecured loans are part of a long-term retention bonus to mature in 2011 and 2012 respectively, and are limited to two-thirds of the purchase price of the share options. One third was paid privately by the members of the Executive Committee.

No options were bought by the members of the management in 2008 under this program.

14 Share and option ownership of the Board of Directors and Executive Committee

For details of the employee stock option plans please refer to note 14 of the consolidated financial statements.

14.1 Share and option ownership of the Board of Directors

			Employee stock option plans [1]						Other options [2]			
Number	Year	Total shares	2002	2003	2007 B	2008 B	2009 B	2010 B				Total options
Strike price in CHF			99.00	48.40	70.00	69.00	39.70	70.00	69.00	41.40	63.00	
Expiring in									2014	2016	2016	
Rolf Classon (Chairman, since April 2009)	2008	**–**	–	–	–	–	–	–	–	–	–	**–**
	2009	**–**	–	–	–	–	–	–	–	–	–	**–**
Heinrich Fischer (Vice Chairman)	2008	**10,000**	–	–	–	287	–	–	–	–	–	**287**
	2009	**10,000**	–	–	–	576	517	–	–	–	–	**1,093**
Dominique F. Baly (since April 2009)	2008	**–**	–	–	–	–	–	–	–	–	–	**–**
	2009	**–**	–	–	–	–	–	–	–	–	–	**–**
Dr. Lukas Braunschweiler (since April 2009)	2008	**–**	–	–	–	–	–	–	–	–	–	**–**
	2009	**2,500**	–	–	–	–	–	–	–	–	–	**–**
Dr. Jürg Meier	2008	**1,000**	–	–	–	287	–	–	2,759	–	–	**3,046**
	2009	**1,000**	–	–	–	576	517	–	2,759	–	–	**3,852**
Prof. Dr. Peter Ryser [4]	2008	**–**	–	–	156	287	–	–	–	–	–	**443**
	2009	**–**	–	–	234	576	517	–	–	–	–	**1,327**
Gérard Vaillant	2008	**–**	–	–	156	287	–	–	–	–	–	**443**
	2009	**–**	–	–	234	576	–	–	–	–	–	**810**
Mike Baronian (until April 2009)	2008	**1,000**	1,410	4,230	156	574	–	–	–	–	–	**6,370**
	2009	**–**	–	–	–	–	–	–	–	–	–	**–**
Prof. Dr. Armin Seiler (until April 2009)	2008	**–**	990	2,970	156	287	–	–	8,621	–	–	**13,024**
	2009	**–**	–	–	–	–	–	–	–	–	–	**–**
Cleto de Pedrini (until April 2009)	2008	**500**	–	–	156	287	–	–	2,069	–	–	**2,512**
	2009	**–**	–	–	–	–	–	–	–	–	–	**–**
Balance at December 31	**2008**	**12,500**	2,400	7,200	780	2,296	–	–	13,449	–	–	**26,125**
	2009	**13,500**	–	–	468	2,304	1,551	–	2,759	–	–	**7,082**

1 only vested options
2 see note 13.4

14.2 Share and option ownership of the Executive Committee

			Employee stock option plans [1]						Other options [2]			
Number	**Year**	**Total shares**	**2002**	**2003**	**2007 B**	**2008 B**	**2009 B**	**2010 B**				**Total options**
Strike price in CHF			99.00	48.40	70.00	69.00	39.70	70.00	69.00	41.40	63.00	
Expiring in									2014	2016	2016	
Thomas Bachmann (CEO)	2008	**–**	–	–	618	460	–	–	13,794	–	–	**14,872**
	2009	**41**	–	–	–	920	828	–	–	–	–	**1,748**
Dr. Rudolf Eugster (CFO)	2008	**700**	300	–	438	371	–	–	6,893	–	–	**8,002**
	2009	**–**	300	–	663	742	–	–	–	–	–	**1,705**
Dr. Jürg Dübendorfer	2008	**–**	160	1,410	368	242	–	–	6,897	–	–	**9,077**
	2009	**–**	160	–	555	484	–	–	–	–	–	**1,199**
Matthias Düchting (joined EC during 2008 and left in 2009)	2008	**–**	–	–	–	–	–	–	–	–	–	**–**
	2009	**–**	–	–	–	–	–	–	–	–	–	**–**
Christopher C. Hanan	2008	**–**	–	–	358	226	–	–	6,897	–	–	**7,481**
	2009	**–**	–	–	540	452	–	–	6,897	–	–	**7,889**
Stephen M. Levers	2008	**–**	2,960	5,160	408	243	–	–	–	–	–	**8,771**
	2009	**–**	2,960	–	618	486	434	–	–	–	–	**4,498**
Domingo Messerli (joined EC during 2008)	2008	**–**	–	–	–	–	–	–	–	–	–	**–**
	2009	**–**	–	–	–	–	479	–	–	–	–	**479**
Matthew Robin	2008	**–**	–	–	–	371	–	–	6,897	–	–	**7,268**
	2009	**–**	–	–	–	742	679	–	2,897	–	–	**4,318**
Carl Severinghaus	2008	**–**	4,230	–	368	282	–	–	–	–	–	**4,880**
	2009	**–**	4,230	–	555	–	–	–	–	–	–	**4,785**
Frederic Vanderhaegen (joined EC during 2008)	2008	**–**	–	–	–	–	–	–	–	–	–	**–**
	2009	**–**	–	–	–	–	592	–	–	4,878	7,407	**12,877**
Günter Weisshaar	2008	**–**	–	–	382	250	–	–	–	–	–	**632**
	2009	**–**	–	–	576	500	–	–	–	–	–	**1,076**
Balance at December 31	**2008**	**700**	7,650	6,570	2,940	2,445	–	–	41,378	–	–	**60,983**
	2009	**41**	7,650	–	3,507	4,326	3,012	–	9,794	4,878	7,407	**40,574**

1 only vested options
2 see note 13.4

Appropriation of available earnings

As proposed by the Board of Directors to the annual general meeting of shareholders on April 21, 2010:

CHF 1,000	2008 Approved	2009 Proposed
Carried forward from previous year	115,260	29,593
Net (loss)/profit	(14,173)	47,480
Capital decrease in form of reduction of nominal value (treasury shares)	507	–
Effect from cancellation of treasury shares	–	11,332
New shares issued upon exercise of employee stock options	275	1,857
Change in reserve for treasury shares	(62,595)	3,078
Available earnings	**39,274**	**93,340**
Dividends paid as approved by the annual general meeting of shareholders on April 22, 2009:		
CHF 0.90 per share with a nominal value of CHF 0.10 each (total 10,757,195 shares eligible for dividend)	(9,681)	
Dividends proposed:		
CHF 1.00 per share with a nominal value of CHF 0.10 each (total 10,403,380 shares eligible for dividend)*		(10,403)
Balance to be carried forward	**29,593**	**82,937**

* These numbers are based on the outstanding share capital at December 31, 2009. The number of shares eligible for dividend may change due to the repurchase or sale of treasury shares and the issuance of new shares from the conditional share capital reserved for the employee profit-sharing program. At the end of 2009, a total of 205,687 options were exercisable before the date of dividend payment.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of Tecan Group Ltd., Männedorf

As statutory auditor, we have audited the financial statements of Tecan Group Ltd., presented on pages 91 to 101, which comprise the balance sheet, income statement and notes for the year ended December 31, 2009.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the Company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Lukas Marty
Licensed Audit Expert
Auditor in Charge

Stefan Dürmüller
Licensed Audit Expert

Zurich, March 2, 2010

Tecan locations

- ● Tecan sales office
- ○ R&D and manufacturing site
- ● REMP sales office

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Liquid Handling & Robotics	Detection	Components	Sample Management
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Japan +81 44 556 73 11
Netherlands +31 18 34 48 17 4
Portugal +351 21 000 82 16
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Publication data

Published by
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Seestrasse 103
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Grayling Schweiz AG

Portraits
David Küenzi, Photographer, Zurich

Translation/editing
CLS Communication AG, Zurich/Basel

Printing
Printlink AG, Zurich

ANNUAL REPORT 2009

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